H.J. HEINZ COMPANY ANNUAL REPORT 2000

ANYTIME · ANYPLACE · ANYWHERE

ABOUT THIS ANNUAL REPORT

Anytime, anyplace, anywhere — these are the occasions to enjoy the great taste of Heinz. At any given moment, in any setting on any point on the globe, food lovers are favoring the delicious flavors, unsurpassed nutrition and quick-serve convenience of Heinz products. Renowned for the world's favorite ketchup, Heinz is a premier international American food company, with number-one and number-two brands in more than 50 countries. Its well-known brands extend from kitchen table to restaurant counter, from dining room to picnic and from oven to microwave. In the past year, Heinz has addressed the frenzied pace of modern life with a host of innovations to excite the palate. At home, Heinz varieties satisfy the diverse tastes of many cultures, lifestyles and nations. On the road, Heinz is also a top performer, with leading eat-out attractions, such as *Heinz* ketchup, *ABC* sauces and *Chef Francisco* soups.

Every age has a Heinz brand to savor. Every meal has a Heinz solution. Every country has a Heinz taste to enjoy.

E-Z DOES IT. Coming this fall – *Heinz EZ Squirt* ketchup, a transformative idea to drive growth and excite usage among the category's biggest consumers. Kids use 5 billion ounces of ketchup annually, and *Heinz EZ Squirt* is made for them. Its new cap and curved plastic container give kids an easier grip and more creative control for "drawing" on food. The only ketchup enriched with Vitamin C, *Heinz EZ Squirt* will also be first to come in "Blastin' Green" as well as tomato red. Once again, Heinz proves that you can improve perfection – even the world's perfect ketchup.

MUMBAI 10:30PM The tropical heat of India calls for serious refreshment. *Glucon-D* does the trick. With a 71% market share, it is India's best-selling glucose-based energy drink mix. A biscuit and a ready-to-drink, single-serve version of *Glucon-D* were introduced, too. The vitamin-enriched drink contains pure dextrose monohydrate, which is absorbed instantly by the body.

India, with one-sixth of the world's population, represents a huge opportunity for Heinz. Its consumer class of about 100 million people could double in the next five years. Heinz recently began selling ketchup in India, where the condiment is called a "romance food" and is rapidly becoming popular. Indian TV commercials promote *Heinz* ketchup with the tagline, "Heinz Meanz Happinez."

HIGHLIGHTS

H.J. Heinz Company and Subsidiaries

(Dollars in thousands, except per share amounts)	**2000 (53 Weeks)**	1999 (52 Weeks)	1998 (52 Weeks)
Sales	**$9,407,949**	$9,299,610	$9,209,284
Operating income	**1,733,099**	1,109,312	1,520,330
Net income	**890,553**	474,341	801,566
Per common share amounts:			
Net income – diluted	**$ 2.47**	$ 1.29	$ 2.15
Cash dividends	**1.44½**	1.34¼	1.23½
Book value	**4.59**	5.02	6.10
Capital expenditures	**$ 452,444**	$ 316,723	$ 373,754
Depreciation and amortization expense	**306,483**	302,212	313,622
Property, plant and equipment, net	**2,358,753**	2,171,024	2,394,662
Cash, cash equivalents and short-term investments	**$ 154,129**	$ 123,121	$ 99,398
Operating working capital	**1,066,325**	881,542	762,474
Total debt	**4,112,401**	3,376,413	3,107,903
Shareholders' equity	**1,595,856**	1,803,004	2,216,516
Average common shares outstanding – diluted	**360,095,455**	367,830,419	372,952,851
Current ratio	**1.49**	1.04	1.24
Debt/invested capital	**72.0%**	65.2%	58.4%
Pretax return on average invested capital	**31.4%**	20.4%	26.4%
Return on average shareholders' equity	**52.4%**	23.6%	34.4%

(Note: All earnings per share amounts are on an after-tax diluted basis.)

The 2000 results include net restructuring and implementation costs of $392.7 million pretax ($0.74 per share) for Operation Excel, a pretax contribution of $30.0 million ($0.05 per share) to the H.J. Heinz Company Foundation, costs related to Ecuador of $20.0 million pretax ($0.05 per share), a gain of $464.6 million pretax ($0.72 per share) on the sale of the Weight Watchers classroom business and a gain of $18.2 million pretax ($0.03 per share) on the sale of an office building in the U.K.

The 1999 results include restructuring and implementation costs of $552.8 million pretax ($1.11 per share) for Operation Excel and costs of $22.3 million pretax ($0.04 per share) related to the implementation of Project Millennia, offset by the reversal of unutilized Project Millennia accruals for severance and exit costs of $25.7 million pretax ($0.04 per share) and a gain of $5.7 million pretax on the sale of the bakery products unit.

The 1998 results include costs of $84.1 million pretax ($0.14 per share) related to the implementation of Project Millennia, offset by the gain on the sale of the Ore-Ida frozen foodservice business, $96.6 million pretax ($0.14 per share).

HEINZ: A SUPERIOR PERFORMER

- Earnings per share have increased by a compound annual growth rate of more than 10% for the past four years.
- Operating margins increased over the past four years to 18.2% from 14.1%.
- Five of Heinz's seven key global businesses recorded compound annual growth rates of 5–12% per year for the past three years.
- Heinz owns a focused portfolio of number-one and number-two brands. Approximately 80% of global sales stem from 40 well-known brands, ranging from the $3 billion *Heinz* mega-label to the fast-growing *Glucon-D* beverage in India.


Perfect Balance

FOND MEMORIES AND FAIR VOYAGE

As Shakespeare would have it, "I am sore amazed" that more than 30 years have passed since Burt Gookin, then President and Chief Executive Officer, first approached me to join the H.J. Heinz Company as Managing Director of Heinz's U.K. affiliate, and in succession to an illustrious company servant, Anthony de la Poer Beresford. I recall, as if it were only yesterday, Burt's persuasive accounting of the opportunities awaiting me at one of the U.K.'s most prestigious companies. I agreed to sign on for what I declaimed to my father would be "a three-year tenure." I could not have imagined that I would spend the rest of the century with Heinz.

Life, it is observed, is a random walk. Yet of the many surprises that have advanced my life, none has been so rewarding as my long association with Heinz. For nearly two of my three decades with the company, I had the privilege of serving as its CEO. This coincided with a period of dramatic change, within Heinz and the world around it:

- Revolutions in technology awakened a cosmopolitan appetite among consumers and enabled investors to move enormous flows of capital across the planet in the blink of a computer's eye.
- The collapse of the Soviet empire and the triumph of Western capitalism laid the groundwork for an economy in which commerce, rather than confrontation, would govern the allocation of resources.
- The dissolution of national borders and trade barriers unleashed the tremendous power, and daunting challenge, of global competition and shifting currency parities.

Steering Heinz through these sometimes-troubled waters was an exhilarating experience for me and my colleagues. Our objective was, as it remains for today's management, to adapt our company to the new appetites of a rapidly changing world in order to accelerate the growth of our brands and enhance shareholder value.

In 1973, when I was named Heinz's President and Chief Operating Officer, the company's annual sales were $1.1 billion and its net income was $23.8 million. By 1979, when I began as CEO, sales had doubled, to $2.5 billion, and net income stood at $110.4 million. Today, under Bill Johnson as CEO, Heinz's annual sales exceed $9.4 billion and its net income is $925 million (excluding special items). Equally impressive, during this period, Heinz's market capitalization has risen twenty-fold, from less than $700 million in 1973 to approximately $15 billion today and, importantly, with less shares in issue.

AT HOME AROUND THE WORLD

These results manifest the success of Heinz's strategy of continuous transformation to address an ever-changing world. Foremost among these transformations has been Heinz's emergence as a preeminent global food company. When I joined the Heinz Company in May 1969, the sales were $790 million, of which $171 million or 22% were in the U.K. Today, the breakdown is North America 55% and Europe and the rest of the world 45%.

DUBLIN 5PM Heinz Chairman Anthony J.F. O'Reilly inspects a delivery of leading Heinz brands to the kitchen of his Castlemartin residence.

This is a truly international food company.

Some 20 years ago, we held a seminal management meeting at which we determined that 85% of the world's population had not been exposed to a Heinz brand. Therein lay a limitless opportunity. The world's fastest-growing countries were then beyond our pale, housing billions of consumers whose increasing affluence and exposure to Western media would generate an enormous appetite for Heinz products.

That revelation set us on a course of geographic expansion that continues to this day. Once confined largely to North America, the U.K., Italy, the Netherlands and Australia, Heinz now has affiliates, alliances or joint ventures throughout Western and Central Europe, the Middle East, Southern Africa, Latin America and the Asia/Pacific region.

A FAVORITE FOR EVERY OCCASION

A second critical evolution over the years has been the expansion of Heinz products into every occasion where food is sold or consumed. Heinz's fast-growing foodservice business has been one of the leaders of this dramatic change. Add to this the explosive demand for convenience and quick preparation. Heinz's frozen and quick-serve categories satisfy this growing appetite through a variety of great tastes and innovative packaging.

Let me say a brief word about "retailer consolidation." The view oft expressed by some analysts is that retailer consolidation is making retailers more difficult to deal with and reducing volume and margin opportunities. What incredible nonsense. Indeed, by good management and Projects Millennia and Excel, Heinz margins have increased nearly 4% over the past four years. With the aid of an enthusiastic retail trade and not an adversarial one, we are launching new and improved brands all over the world and with success. The result of all of this is operating margins of 18.2%, above those of Bestfoods and Unilever — two well-run and aggressive companies.

The result of these initiatives is a company with superior products sought after by consumers around the world in every possible setting around the clock.

I am proud to have been part of this exciting transformation of Heinz into a global food giant. As we stroll down memory lane, I think of the retired heroes of Heinz, some not with us, some very much alive — of Burt Gookin and Juny Allen; of Frank Brettholle and Karl von der Heyden; of Don Wiley, Larry McCabe and Ben Thomas; of John Real and Jerry Scharer and Keith Hauge; of Bill Agnew and Dick Patton and John Connell and John Hinch; of Luigi Ribolla and Peter Borasio and Lino Ghirardato; of Derek Finlay and David Sculley and Paul Corddry and J Connolly; of Bill Springer and Bob Pedersen and Gerry Herrick and Ed Osborne and Chuck Berger; of Don McVay; and a thousand other noble men and women like George Greer, Ned Churchill, Andrew Barrett, Walter Schmid, Clyde Fearer, Mass Ogawa, David Irving, Doug Dibb, Tom Smith, Dick Beattie, John Werner, Rob Kuijpers, John Mazur, Manny Albarran, Jerry Larrea and Charlie Lowe. All of them lived their lives for Heinz and the sheer sense of quality and collegiality it brought to them and their wonderful wives. I am grateful to have worked with them and so many others.

On a very personal note, I want to say that

behind every CEO there is a dauntless, creative and protective staff. All who have ever dealt with Heinz encountered the Rock of Olive Deasy. Courteous, friendly and yet immovable, she had wise counsel, formidable recollective powers and fine judgment which have served and continue to serve our family for over 40 years. On retirement, she was succeeded by Eileen Stevenson, whose friendliness and organizational skills have made her indispensable to me.

When I joined the company on May 1, 1969, Henry J. Heinz II was the Chairman. Jack Heinz was elegant, imaginative and scrupulously ethical. He epitomized the great qualities of the Heinz family — entrepreneur, global citizen, philanthropist. In addition to Jack, Heinz was fortunate to have, over the years, a Board of Directors that always worked diligently for the best interests of shareholders.

The Heinz Board, in its present and past manifestations, represents the best of the best, has fine people, a good blend of insider knowledge and outsider wisdom and has stood the test of time, unlike some other Boards once celebrated.

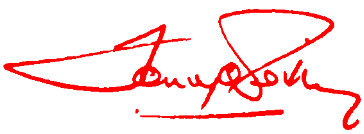
Looking back, I see great figures on that Board, such as: Lewis Lapham II, President of Bankers Trust; John Mayer, President of Mellon Bank; Jim McDonald, President of General Motors; Tom Foley, Speaker of the House of Representatives; Dick Cyert, President of Carnegie Mellon; Bill Scranton, Governor of Pennsylvania; Vira Heinz; John Ryan, Chairman & CEO of Mine Safety Appliances; Juny Allen, my first-ever senior vice president; Al Lippert, founder of Weight Watchers; and the inimitable Joe Bogdanovich. They lent their guiding presence and sound advice as examples of quality and independent thought.

This year, we will lose Bill Snyder, Eleanor Sheldon, Herm Schmidt and Don Wiley, whose contributions, interventions and support have contributed to everyone who holds Heinz stock. Their opinions were fearless, articulate and fair.

The gracious Eleanor, the thoughtful Herm and the prudential Don will not mind if I single out the special contribution of Bill Snyder. Since 1961, or for almost 40 years, he has been a director of this company. His courtesy, cheerfulness and concern have served his colleagues in every way possible. I salute his career with admiration and affection, as I do our other departing directors.

Finally, let me say that I am supremely confident in the leadership of Bill Johnson and his management team. Bill Johnson is only the sixth CEO in the 131-year history of your company, and his troops have readied Heinz for the opportunities of a new century and set it on a course for accelerated growth and profit. I bid them fair voyage and, as a fellow shareholder, look forward to their success as they continue to make Heinz the best international food company in the world.

Our founder, Henry John Heinz, proclaimed that "to do the common thing uncommonly well brings success." It is a pithy summary and it will be our motif for the future years.



Anthony J.F. O'Reilly
Chairman

ANTICIPATING A YEAR OF RECORD INNOVATION

A Question-and-Answer Session with President & CEO Bill Johnson

Q What were the highlights of Fiscal 2000?

A Fiscal 2000 was highlighted by a stronger focus on marketing-oriented innovation and top-line growth. Innovative products ranged from *Heinz EZ Squirt* ketchup to *Boston Market HomeStyle Meals* to *StarKist* pouch tuna to Italian organic baby foods to *Heinz* microwaveable meals in Europe.

We made notable top-line progress in a number of key areas, with particularly strong sales growth in ketchup, condiments and sauces (+9.4%), frozen foods (+11.6%), and foodservice (+12.5%).

At the same time, we did not neglect the bottom line as we delivered earnings per share of $2.57, excluding special items. Despite the hugely unfavorable sales impact of foreign currency ($737 million) and more than $1 billion in divestitures, we have averaged compound EPS growth rates of better than 10% a year since Fiscal 1996.

Q What can we expect this year and beyond?

A Expect aggressive innovation and marketing. We are focusing on growing the top line — not through simple line extensions — but through enticing products that really excite consumers. Essentially, as Heinz successfully completes its restructuring initiatives, we are now concerned more with market-driven ideas than assets.

Our goal is consumer excitement, enjoyment and convenience. In frozen foods, for example, we are bringing great taste back to the freezer. This campaign commenced with the launch of *Smart Ones*, which we followed in the past year with the launch of *Boston Market HomeStyle Meals* in supermarkets. *Boston Market* is our most successful new product in decades.

And, it was almost impossible not to see the massive TV coverage of our new kid's *Heinz EZ Squirt* ketchup in July. Children will be able to make all sorts of designs with our adjustable nozzle and red and green colors when *Heinz EZ Squirt* hits the shelves in October.

We have also launched a major breakthrough in *StarKist* tuna with the introduction of vacuum pouch packaging, with no draining, mixing or hassle. The superior texture and fresh taste of this new tuna will bring millions of people back to this nutritious food.

Q Food stocks continued to lag in Fiscal 2000. What makes Heinz a good investment?

A For the past two years, the Heinz performance mirrored that of the out-of-favor food industry. But recently our stock has outperformed our peers.The fascination with technology stocks continues, but I think investors are beginning to rediscover the importance of consistent growth in sales, earnings and cash flow. Investors are realizing that we are now strongly positioned for global expansion and top-line growth, making Heinz one of the most attractive food stocks.

Q What does the consolidation of the food industry mean for Heinz?

A We believe that prudent, well-thought-out

BARCELONA 6PM William R. Johnson, Heinz President and CEO, enjoys a taste relished around the world as he pours on the *Heinz* ketchup at a Spanish streetside café.

consolidation can be beneficial. Clearly, the recent activity in the food industry indicates there's a large appetite for these kinds of ventures and it's possible to participate in different ways. But our fundamental focus is on enhancing shareholder value. This will be the impetus behind future acquisitions and new product initiatives.

Q Is Heinz one of the largest food brands?

A Yes, the *Heinz* brand is one of the largest in the global food industry, with sales of almost $3 billion, or about one-third of our total sales. It is ubiquitous, and it is growing. Of course, we have many other great brands, such as *Ore-Ida*, *StarKist*, *Plasmon*, *ABC*, *UFC*, *Wattie's* and *Smart Ones*, among others. Almost 80% of our sales come from 40 well-known brands. This tight focus on 40 strong brands represents a great marketing advantage versus companies with hundreds of smaller brands.

Q What drives Heinz's marketing?

A Consumer trends should drive all marketing. Consequently, all of our marketing will be focused against key trends that we refer to as the four Ts:

Teens & Tweens

There are 800 million teenagers around the globe who increasingly think alike and who want to "personalize" everything, including their food. *Heinz* sauces and condiments, especially *Heinz* ketchup, allow them to do that, whether it's on burgers, broccoli, pasta or beans. Teens love to eat out, which our foodservice business addresses, and they love to snack, which attracts them to products like *Bagel Bites* frozen snacks and *Ore-Ida* microwaveable french fries.

Travel

Everything travels now. People travel. Brands travel. Businesses travel. We have a global brand in Heinz, which travels best of all. As people travel, they look for familiar brands that they trust. Even locally, consumers are mobile. "Dashboard dining" is growing and our outstanding foodservice business is at the forefront of customized recipes and more portable meals and snacks.

Time

Nobody has enough time, and that won't change. In fact, it's going to get worse as technology enables people to work around the clock. But this is also an opportunity, and therefore, we are launching convenient meals and snacks that are quicker, tastier and more nutritious for time-starved families.

Technology

Some people sense a divide between the new economy and the old economy. In reality, Heinz is leveraging the new technology and E-commerce to cut costs, improve quality and build stronger relationships with consumers. In consumer marketing, for example, we are building new loyalty relationships through interactive, entertaining Web marketing.

Q How do acquisitions fit into your top-line growth?

A People forget that the modern Heinz was built primarily through acquisitions in the second half of the 20th Century. We are going to be very innovative and aggressive in focusing on the top line, but smart acquisitions — particularly in key growth areas like sauces, frozen food, foodservice and Asia — make enormous sense. Our 19.5%

stake in The Hain Celestial Group makes us a major player in organic and natural foods, the fastest-growing segment of the food industry. The acquisition of UB Frozen and Chilled Foods in the U.K. makes us a leader in the rapidly growing area of quick-serve meals in Western Europe. Our high-growth Asian strategy was built on acquisitions to provide infrastructure and leading local brands.

Q What makes the Asia/Pacific region so promising?

A The Asia/Pacific region, especially India, Indonesia, the Philippines and China, is likely to experience explosive growth in the next few years. There are three billion people in these markets, many of whom are, for the first time, being exposed to Western technology and convenient, nutritious prepared foods. Now is the time to win their loyalty.

The four most populous countries in the world are China, India, the United States and Indonesia. Twenty-five years from now, that still will be the case. We are now one of the few American food companies that is well established for medium- and long-term growth in Asia.

Q Any final thoughts for shareholders?

A We believe Heinz is a great investment. We will continue to focus on aggressive marketing and innovation as the best way to build shareholder value. We are targeting top-line sales growth of 3-5% and EPS growth of 10% in Fiscal 2001. If we achieve these goals, we will have delivered a commendable five-year compound annual growth rate in EPS of over 10%. This consistent growth rate, combined with aggressive management and growing global brands, makes Heinz a very attractive investment.

Finally, I want to take this opportunity to congratulate and thank Tony O'Reilly for his 31 years of distinguished leadership at Heinz. Tony has announced his intention to retire from the Chairman's position and the Board of Directors on September 12, 2000. He departs knowing that, as only the fourth Chairman and the fifth CEO of Heinz, he greatly enriched a proud and unique tradition of leadership, which included Henry J. Heinz, Howard Heinz, Jack Heinz and Burt Gookin.

Like his illustrious predecessors, Tony had a vision of Heinz as an international food company, marketing superior branded foods in every corner of the world. A new generation of Heinz leadership is avidly pursuing this vision, with a record number of product innovations and dynamic acquisitions in fast-growing markets, such as Asia.

This year, we also bid farewell and offer thanks to four Directors who have been steadfast custodians of shareholder interests. Bill Snyder, Eleanor Sheldon, Herm Schmidt and Don Wiley have all been conscientious, hard-working and judicious Board members. We have valued their judgment and advice. We will miss them all.

Bill Johnson

William R. Johnson
President and Chief Executive Officer

HELSINKI 7PM Pour it on! That's what Scandinavians do with *Heinz* ketchup when they eat pasta. The culinary custom of topping noodles with ketchup helps to make Scandinavians the world's biggest per-capita users of the classic condiment.

Ketchup makes headlines in the Nordic region. A Danish television reporter, doing a story on the health benefits of *Heinz* ketchup, drank it straight from the bottle. A polar bear made news when he raided the kitchen in a Norwegian vacation home and topped off his meal with — you got it — *Heinz* ketchup.

AUCKLAND 5AM What's for breakfast, Mum? For babies in New Zealand, the answer is *Wattie's*. Although homemade baby food remains popular, more and more Kiwi mothers rely on prepared food. *Wattie's* foods designed for older babies are also being introduced.

The *Wattie's* brand is especially strong in jarred baby foods with a market share of 70%.

LONDON 5PM What could be more relaxing — or civilized — than a cup of tea and a scone with jam? In the United Kingdom, *Frank Cooper's* is the leading name in single-serve jams and jellies. The business, bought by Heinz in 1997, began as a marmalade maker in 1874 in Oxford. It now offers a popular range of *Frank Cooper's* marmalades, jams, jellies, sauces, salt, pepper and sugar packets.

In Europe, eating out grows more and more popular. Europeans spend nearly 25% of their food budget outside the home, about half as much as Americans, but they are quickly catching up. Last summer, Heinz added to its European single-serve offerings with the acquisition of Serv-A-Portion, which ships products across Europe from a factory in Belgium.

ROME 6PM Ciao, baby! In Italy, munching on *Plasmon* biscotti is a rite of babyhood. The plain, crunchy biscuits are enjoyed by more than 85% of the bambini. Moms sometimes dissolve the biscuits in formula for younger babies, who later savor the biscuits as meals or as snacks.

Besides the best-selling *Plasmon* brand, Heinz markets baby food in Italy under two other lines: *Nipiol* and *Dieterba*. The company is the first in Italy to make organic baby food, which Heinz calls *BioDieterba*.

MIAMI 12 NOON You can't keep Mom in the dorm. (What would your friends think?) But you can enjoy the home-cooked taste of oven-roasted chicken or meatloaf with mashed potatoes and gravy. *Boston Market HomeStyle Meals* — 16 frozen entrees, meals and side dishes — are feeding a growing demand for easy-to-fix meals and helping make frozen foods Heinz's fastest-growing business. Research shows most people still prefer to eat at home, but they don't have time to cook. These hearty meals are a big hit with men. And, women love the side dishes, like creamed spinach and macaroni & cheese. Six additional dishes, including pot roast and corn bread miniloafs, are joining the line. Sales are expected to top $100 million in the first year of national distribution, making this among Heinz's most successful new products ever.

CAPE TOWN 6PM Americans aren't the only ones who like ketchup and fries. This irresistible combination offers universal appeal. In South Africa, sales of *Heinz* ketchup and potato products are growing. Heinz recently became the first company to sell microwaveable fries there.

Kids around the world love personalizing food with thick, rich ketchup and other sauces. Heinz is targeting this powerful, young market with a global advertising campaign including Internet ads and "talking labels" with quirky messages, like "ARE YOUR FRENCH FRIES LONELY?" The effort is paying off. This year, Heinz will sell more than $1 billion worth of ketchup — about 650 million bottles. The company's ketchup, condiments and sauces business (including foodservice) is growing more than 9% a year around the globe.

HONOLULU 8AM Eating on the go, at work and play, is a big part of life these days. That's one reason why *Charlie's Lunch Kit* is so popular. It allows you to make your tuna just the way you like it — anywhere, anytime. Each kit includes *StarKist* tuna, a two-piece cup and wooden spoon for mixing, packets of *Heinz* light mayonnaise and *Heinz* pickle relish and low-fat crackers. Heinz recently unveiled *StarKist* tuna in a pouch, a revolutionary product that makes enjoying tuna easier than ever. There's no can to open and no broth to drain. Simply open the pouch, pour out the tuna and catch the wave to great taste.

EVERY CULTURE,
EVERY OCCASION HAS
A HEINZ VARIETY

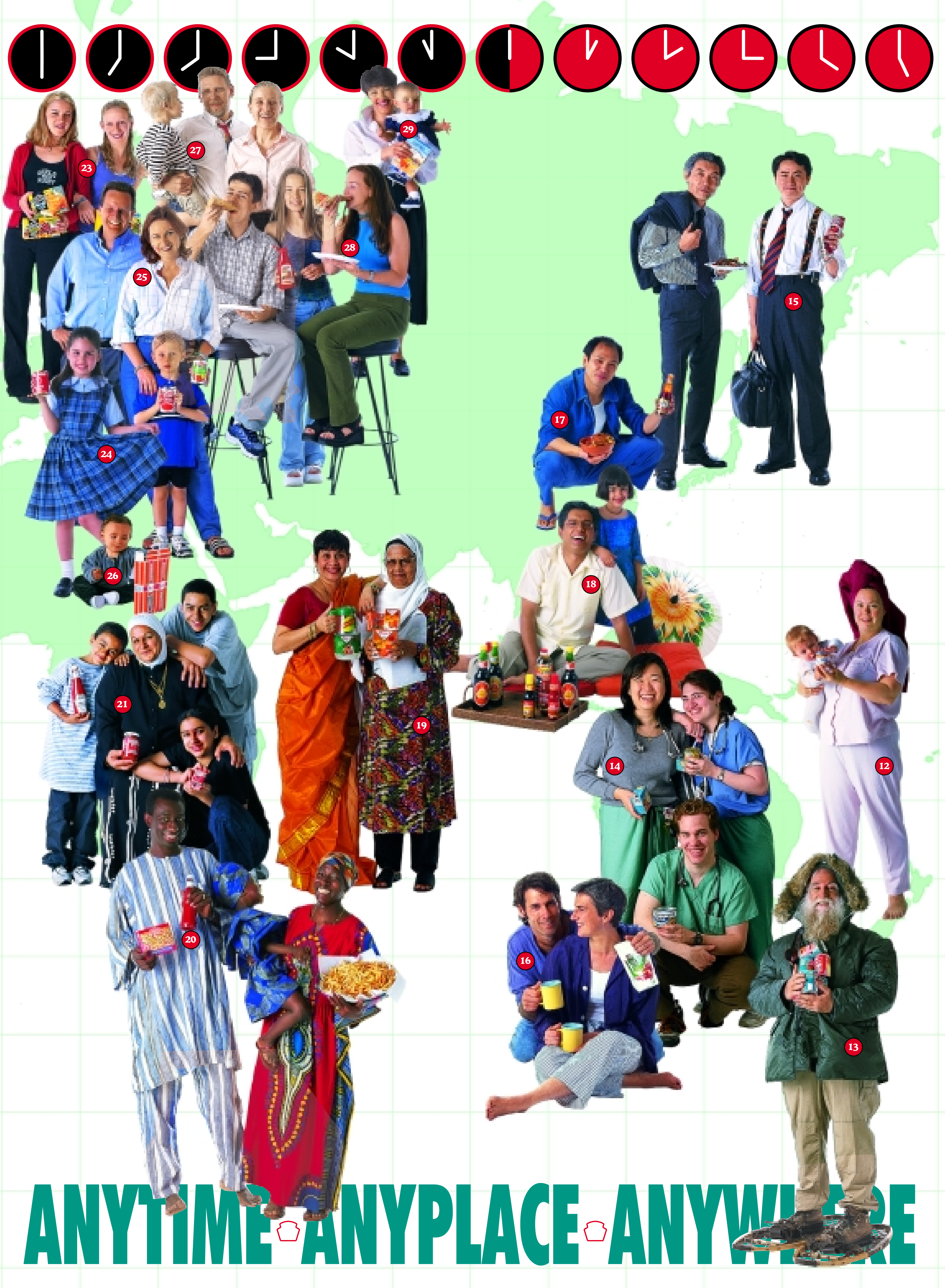
THE AMERICAS
(1) Buenos Aires, Argentina 2 pm – Pet treats of Tiernitos dog food
(2) Prince Edward Island, Canada 1 pm – Preschool lunch of Heinz canned pasta
(3) Caracas, Venezuela 1 pm – On-the-go lunch with Heinz ketchup
(4) New York, New York noon – Business luncheon with Heinz ketchup and 57 Sauce
(5) Miami, Florida noon – Boston Market HomeStyle Meal for the dorm
(6) New Orleans, Louisiana 11 am – Red beans & rice school lunch with Heinz ketchup
(7) Santa Fe, New Mexico 10 am – Snacktime with Portion Pac peanut butter and jelly
(8) Los Angeles, California 9 am – Breakfast of Health Valley cereal and Westsoy milk
(9) Vancouver, Canada 9 am – 9-Lives kitten's breakfast
(10) Anchorage, Alaska 8 am – Fisherman's breakfast platter with Ore-Ida hash browns
(11) Honolulu, Hawaii 8 am – Surf-side morning snack with Charlie's Lunch Kit.

PACIFIC RIM & SOUTHWEST ASIA
(12) Auckland, New Zealand 5 am – Baby's feeding with Wattie's jarred foods
(13) McMurdo Base, Antarctica 5 am – Heinz and Wattie's quick-serve meals
(14) Melbourne, Australia 3 am – Hospital break with Greenseas tuna
(15) Tokyo, Japan 2 am – Late client dinner with Heinz foodservice sauces
(16) Perth, Australia 1 am – Middle-of-the-night snack of Heinz pouch soups
(17) Manila, Philippines 1 am – Chef's specialties with UFC ketchup
(18) Jakarta, Indonesia midnight – Family celebration with ABC soy sauces
(19) Mumbai, India 10:30 pm – Late-night workout with Glucon-D energy drink

AFRICA
(20) Cape Town, South Africa 6 pm – Family dinner with Heinz french fries and ketchup
(21) Cairo, Egypt 6 pm – Supper with Heinz ketchup and quick-serve meals

EUROPE
(22) London, England 5 pm – Tea with Frank Cooper's jams and jellies
(23) Liverpool, England 5 pm – Afternoon snacks with Linda McCartney meat-free dishes
(24) Madrid, Spain 6 pm – After-school meal with Orlando sauces
(25) Munich, Germany 6 pm – Family dinner with Sonnen Bassermann soups
(26) Rome, Italy 6 pm – Baby treats of Plasmon biscotti
(27) Helsinki, Finland 7 pm – Heinz ketchup on noodles for dinner
(28) Warsaw, Poland 7 pm – Pudliszki ketchup tops pizza
(29) Moscow, Russia 8 pm – Bedtime feeding with Heinz baby food

ANYTIME ANYPLACE ANYWHERE



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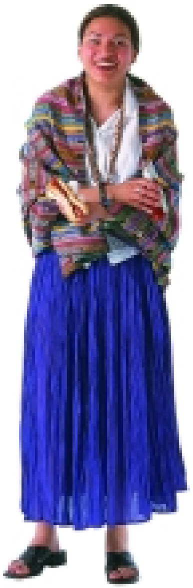
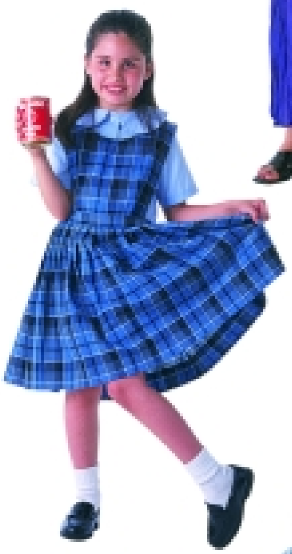
ANYTIME ANYPLACE ANYWH RE

POWER BRANDS EXPANDING WORLDWIDE

- **Nearly half of Heinz's $9.4 billion in annual sales comes from outside the United States.**
- **Fiscal 2000 sales volume, +3.8%.**
- **Heinz's leading power brands (sales exceeding $100 million) command number-one or number-two market shares in more than 50 countries (chart below).**
- **Heinz varieties are marketed in more than 200 countries and territories.**
- **The *Heinz* label is one of the most powerful, global brands in the food industry, with annual sales approaching $3 billion.**

	KETCHUP, CONDIMENTS & SAUCES	FOODSERVICE	INFANT FEEDING	TUNA	FROZEN FOODS	QUICK-SERVE MEALS	PET FOODS
North America, Caribbean							
United States	1	●	★	1	1	2	2
Canada	1	●	1	★	★	1	★
Caribbean	1	●	1	1	★	★	★
Dominican Republic	★	●	1	1			★
Puerto Rico	2	●		1	★		★
Pacific Rim & Southwest Asia							
Australia	1	●	1	1	★	1	★
China	★	●	1		★	★	
India	★	●	2				
Indonesia	1	●				2	★
Japan	2	●			1	★	★
Malaysia	★	●			1	★	★
New Zealand	1	●	1	★	1	1	★
Pakistan	★	●				★	
Papua New Guinea	1					1	
Philippines	1	●	★		★	★	★
Samoa		●		1			
Singapore	1	●	★	★	★	★	★
South Korea	★	●		★			★
Sri Lanka		●	1			1	
Taiwan	★	●	★				★
Thailand	2	●		★		★	★
Europe							
Austria	2	●		★		★	★
Belgium	1	●				★	★
Czech Republic	★	●	1	★		★	★
Denmark	1	●				★	★
Finland	2	●		★		★	★
France	2	●		2	★	★	★
Germany	1	●		★	★	2	★
Great Britain	1	●	1	1	1	1	★
Greece	2	●		★	★	★	★
Hungary	2	●		★		★	★
Ireland	1	●	1	1	1	1	★
Italy	★	●	1	★	★		★
Malta	★	●	1	1		★	
Netherlands	1	●		1		★	★
Norway	★	●		★		★	★
Poland	1	●		1&2*		★	★
Portugal	1	●		★	1	2	
Russia	★	●	★			★	
Slovak Republic		●	★				★
Spain	1	●				2	
Sweden	2	●		★	★	1	★
Switzerland	1	●				★	★





Heinz's five fastest-growing businesses account for 65% of global sales:

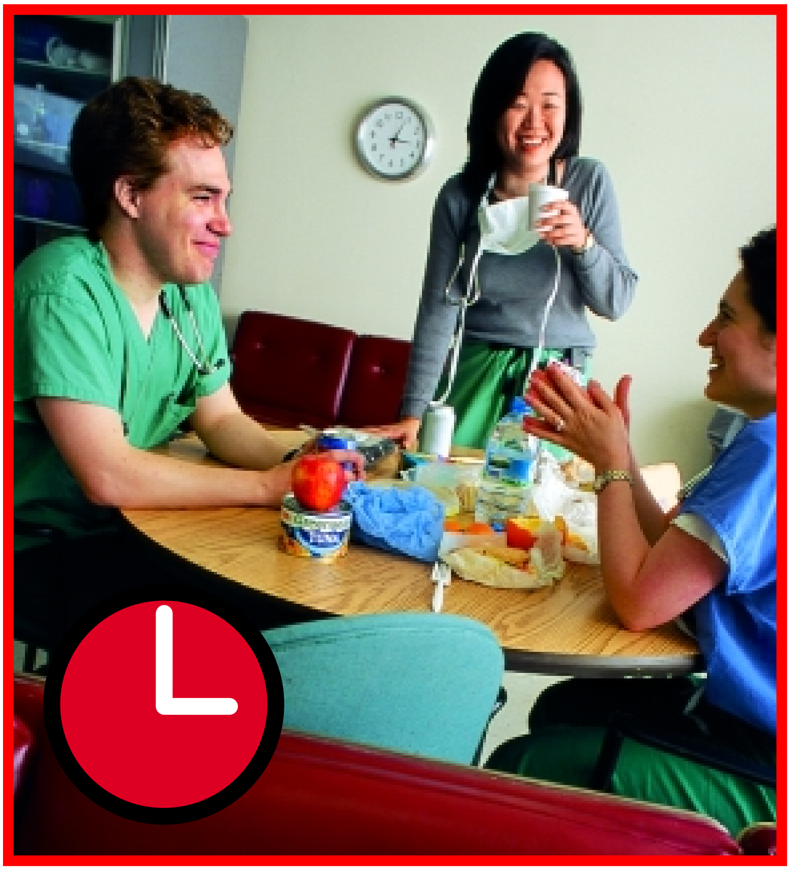
Fast-Growth Businesses	FY00 Sales	3-yr Sales CAGR**
Ketchup, condiments & sauces	$1.3 billion	+7.0%
Foodservice	1.6 billion	+7.8%
Premium frozen foods	1.0 billion	+12.0%
Tuna	1.0 billion	+5.3%
Quick-serve meals	1.2 billion	+5.3%

**Compound Annual Growth Rate

	Ketchup, Condiments & Sauces	Foodservice	Infant Feeding	Tuna	Frozen Foods	Quick-Serve Meals	Pet Foods
South & Central America							
Argentina	★	●		★	★		2
Brazil	★	●		★	★	★	★
Chile	★	●		★			★
Colombia	2	●	1	★			
Costa Rica	★	●	★	★			★
Ecuador	★	●	2	★			
El Salvador	★	●	2				
Guatemala	★	●	2		★		
Honduras	★		2	★			
Mexico	★	●		★	★		★
Nicaragua	★		2	★			
Panama	★	●	2	2		★	
Paraguay		●		2			
Peru	★	●	1	2			★
Uruguay	2	●	1	2			★
Venezuela	1	●	1	★		1	★
Africa and the Middle East							
Botswana	★	●				★	
Cyprus	★					★	★
Egypt	1	●				★	★
Ghana	★			1		★	
Israel	1	●	1	1	★	★	★
Jordan					★	★	
Kenya	★					★	
Malawi	★					★	
Morocco	2	●				★	
Mozambique	★					★	
Saudi Arabia		●	★	★		★	★
Seychelles	★			1		★	
South Africa	★	●			2	★	2
Tunisia	2	●				★	
Turkey	★	●	★			★	★
Zambia	★					★	
Zimbabwe	★	●		★		2	★

*In Poland, *StarKist* is the number-one brand and *John West* is number two.

Legend	
Leader in market share	1
Second in market share	2
Heinz brands are sold in the market	★
Heinz foodservice products hold leading share positions	●



MELBOURNE 3AM Heart-healthy tuna is a $1 billion global business, growing every year. Why? Consumers want quick, nutritious, tasty meals that can be made at home or at work. In Australia, Heinz — the top tuna with 33% of the market — sells 52 varieties under the *Greenseas* label. Sales of flavored tunas — like lemon pepper, herb & garlic and a new honey & soy variety — grew 30% last year. Other popular *Greenseas* innovations include heat-and-serve tuna meals and lunch kits. In Asia, as in the U.S. and the rest of the world, consumers are embracing contemporary flavors and imaginative recipes using tuna. They're also turning to tuna as a healthy alternative to red meat and chicken. It's just what the doctor ordered.

LIVERPOOL 5PM Sausage. Bacon. Burger. Chicken. It sounds like a meat lover's menu, but it's actually a list of some of the most popular items in the *Linda McCartney* line of vegetarian frozen ready meals. Heinz acquired the brand, the United Kingdom's best-selling vegetarian meals, and other leading food names when it bought UB Frozen and Chilled Foods.

Heinz sells 22 products in the range, including chili non-carne and meatless versions of English favorites, like bangers and mash and toad-in-the-hole. Mothers buy the meals, but their biggest fans are teenage girls, who make up the largest percentage of vegetarians.

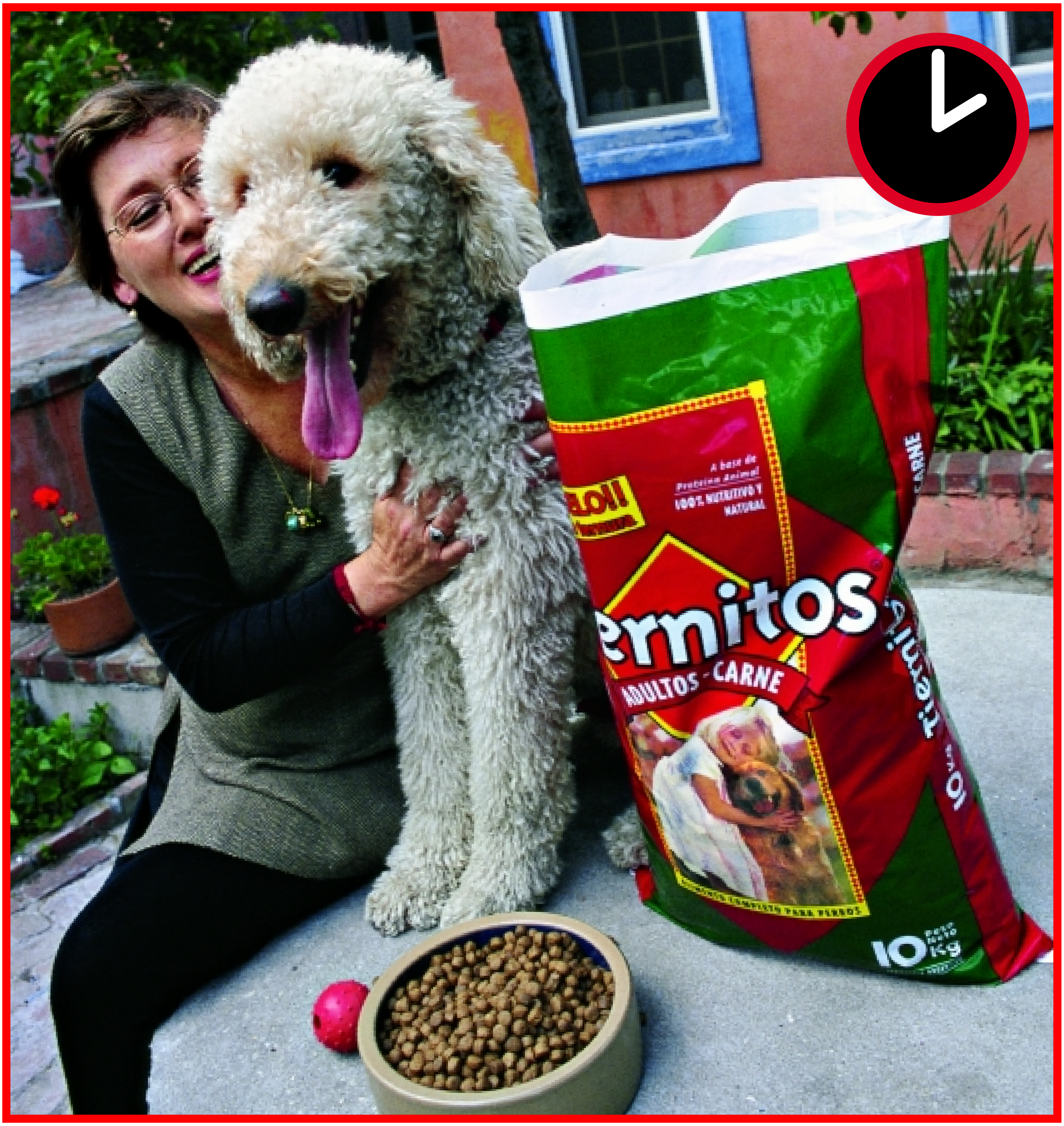
PRINCE EDWARD ISLAND 1PM *Pokémon*™ has hit the world of pasta. Heinz was the first food company in Canada to launch a *Pokémon* product when it rolled out two varieties of *Pokémon*-shaped canned pasta last fall. Since then, more than 338,000 cases of *Pokémon* Red and *Pokémon* Blue have sold, making Heinz the leading brand. There's more to come for Canadian kids. *Pokémon* characters like Pikachu, Charmander and Squirtle also appeared on limited-edition *Heinz* ketchup bottles throughout North America in a promotion that offered a rebate on the purchase of *Pokémon* videos or DVDs.

NEW YORK CITY 12 NOON Eating out. It's one of the hottest trends in the food industry and Heinz is a true leader. More than half the food dollars in the U.S. are spent on away-from-home meals. *Heinz* ketchup and *57 Sauce* are tabletop staples, right next to the salt and pepper. In the U.S., nine out of ten restaurants serve *Heinz* ketchup, the lifeblood of the company's $1.6 billion global foodservice business. An updated version of the familiar icon — a forever-full, plastic bottle — ensures that you're getting the real thing, *Heinz* ketchup.

More people are eating out in Europe, Asia and other parts of the world, too. Heinz foodservice revenues, which make up more than 15% of the company's sales, have grown at a 7.8% rate over the past three years.

MUNICH 6PM Germans love soup, as a snack or a light meal. Heinz sells 86 products in Germany under the *Sonnen Bassermann* name, including a wide variety of soups, stews and ready-to-serve meals. Soup has become especially popular. What's the appeal? Soups are light, nutritious and often low fat. Founded in 1884, *Sonnen Bassermann* is one of the oldest trademarks in the German food industry. *Sonnen Bassermann* also makes Germany's favorite ready-to-serve meals. The top variety is rinderroulade, beef with cream sauce and potatoes.

VANCOUVER 9AM Move over, Morris. You're not the only kitty to love *9-Lives*. There are many cats in this dog-eat-dog world — more than 6 million in Canada alone. Pet food is a big opportunity, and Heinz already is a leader, with $1.2 billion in worldwide sales. Everyone's favorite cat, Morris, has made *9-Lives* a top brand. He has reigned supreme among the feline set for more than 32 years, as the torch has been passed along to four male orange tabbies. In May, as Morris III stepped out of the Hollywood limelight to enjoy life as an everyday cat, his successor, Morris IV, was rescued from a shelter. His first Morris mission? Promoting a feline health program.



BUENOS AIRES 2PM “¡Que buen perrito!” That’s “Good dog!” in Spanish. In Latin America, more and more dog owners are scrapping the table scraps and buying pet food, expanding the region’s $1.2 billion pet products market by about 8% a year. A growing awareness of the nutritional value of commercial dog food is fueling the trend. There are plenty of snouts to feed. In Argentina, about 30% of all households own a dog, compared to about 38% in the U.S. *Tiernitos*, which literally means “little tender,” was one of Argentina’s first dog food brands when it went on the market a decade ago. It comes in three varieties: one for puppies, an original formula, and a meat flavor. Heinz also sells pet food in Venezuela and plans to expand to Brazil — the largest Latin American market — and to Chile, Colombia and Peru.

FINANCIAL TABLE OF CONTENTS

A YEAR OF RECORD INNOVATION AND CHANGE

In Fiscal 2000, Heinz achieved worldwide sales of $9.41 billion, as it focused on faster-growing businesses, such as foodservice and frozen food and on faster-growing global markets, such as India and Indonesia.

Heinz became more customer and consumer focused, as it launched more product innovations than at any other time in its recent history.

BRAND BUILDING

Heinz's sales increases were fueled by a strong performance from *Heinz* ketchup, the world's favorite brand. U.S. retail sales volume of *Heinz* ketchup rose 6.3%, as Heinz launched an award-winning global ketchup advertising campaign aimed at teens, one of the most receptive audiences to the individuality profile of *Heinz* ketchup. The innovative campaign positioned the icon brand as "ketchup with an attitude" through edgy, contemporary advertising. Heinz also rolled out other creative retail ketchup promotions, including humorous message labels, limited-edition *Pokémon*™ bottles and the seasonal return of the classic octagonal glass bottle in a 24-ounce size.

The second quarter of Fiscal 2000 will see the most dramatic innovation in ketchup in 20 years — *Heinz EZ Squirt*, the first ketchup designed especially for and by kids. Enriched with Vitamin C, *Heinz EZ Squirt* ketchup will be available in a bold new "Blastin' Green" color, in addition to traditional tomato red. *Heinz EZ Squirt* features a kid-friendly nozzle and easy-grip plastic bottle to suit smaller hands and enable kids to have more fun flavoring their favorite foods with their favorite ketchup.

Overall, *Heinz* ketchup's market share (in dollars) rose to 54% in the U.S. (with volume up 6%) and 75% in Canada.

Sales of *Heinz* tomato products (including soup, juice and ketchup) worldwide benefited from the public's continuing interest in research findings on the health benefits of lycopene, an antioxidant that is more readily absorbed in the body when tomatoes are eaten cooked. With an eye on the demand for alternative products, Heinz introduced organic ketchup in Denmark and Sweden.

Also in the $1.3 billion category of ketchup, condiments and sauces, sales of *Diana Sauces* sizzled in Canada, rising 30%, as the popular line of barbecue condiments expanded nationally. Several new varieties of *Heinz HomeStyle Gravy* helped drive its number-one share to 46%, with sales up 6%. Three new varieties of *Boston Market* gravy were also introduced.

Foodservice grew to a $1.6 billion global business for Heinz, increasing sales by 12.5% and becoming Heinz's third-largest business. The company launched five *Chef Francisco* frozen soup varieties in the U.S. In response to demand from high-profile restaurant chains, a new 14-ounce red plastic ketchup bottle that appears full at all times was rolled out.

In Europe, Heinz foodservice led the single-portion market. Foodservice sales of *Heinz* ketchup in Europe rose 28%, with market leadership in the U.K., Belgium, the Netherlands and France. In Spain, foodservice sales of *Heinz* ketchup rose 29%. Heinz Japan cooked up new products for foodservice operators, including Italian bean products and pouched soup and sauces.

Sales of frozen foods climbed to $1.4 billion. One of the biggest product launches was Heinz Frozen Food Company's introduction of *Boston Market HomeStyle Meals*, a line of delicious entrees, meals and side dishes with high brand recognition. Meanwhile, *Weight Watchers Smart Ones* entrees surged more than 11% in sales, as the brand rose to the number-two position in its category.

Market leader *Ore-Ida* french fries and potatoes were rejuvenated by the introduction across the U.S. of stand-up resealable packaging, a breakthrough in convenience and presentation.

Shipments of *Bagel Bites*, the popular frozen pizza snack, increased 41% in the fourth quarter of Fiscal 2000 and attracted more young consumers (or "tweens") with national advertising and a contest promoting its sponsorship of the 2000 ESPN Winter X Games. *Bagel Bites* also were a big success north of the border, where Canadian volume grew 107%.

Global tuna and seafood sales were $1.0 billion. *StarKist* tuna maintained its status as the number-one brand with a U.S. market share of more than 44%. *StarKist's* Charlie the Tuna made waves in his return to a starring role in television commercials. Plans are underway for the spectacular launch of tuna in pouch packaging, a breakthrough Heinz development, which is expected to transform the entire category.

In France, *Petit Navire* tuna achieved a record market share of 18.2% in the critical summer salad season. In the U.K., *John West* tuna set a record with a 32% share in January 2000. Seafood sales in Australia set a full-year volume record, as sales of new flavored *Greenseas* tuna rose.

Quick-serve meals, including soup, beans and pasta, reached $1.2 billion in Fiscal 2000.

In Australia, sales of *Tom Piper* canned meats, with a new heartier recipe, grew almost 10%. In Australia and New Zealand, baked beans and spaghetti volume more than doubled.

Heinz U.K. introduced easy-open-end cans for products ranging from baked beans to soup, while preparing for the debut of microwaveable packaging in Fiscal 2000. In the U.S., *College Inn* broth accelerated its growth by introducing resealable cartons.

British children enjoyed the taste of a new *Heinz* pasta featuring the Tweenies™, stars of a popular BBC children's television program. Tweenies and pasta shaped to resemble icons from the Star Wars™ film series helped drive volume growth in the pasta shapes category to more than 59%. Heinz U.K. soup reached a market share exceeding 55%. New *Heinz* pouch and premium ready-to-serve soups were launched in the U.K.

A smashing success was the introduction of *Pokémon* canned pasta in Canada, where the launch vaulted Heinz to the number-one position in pasta for the first time. In Greece, four *Heinz* convenience meals were debuted, including spaghetti hoops and macaroni & cheese.

Infant feeding topped $1.0 billion in sales. In South America, Heinz Venezuela set a record for baby food sales, with a peak share of 50%, reflecting product launches and extensions.

In Australia and New Zealand, Heinz reintroduced its entire *Heinz* and *Wattie's* range

of wet baby foods in new packaging, resulting in double-digit sales growth, while *Heinz* infant formula achieved a record market share, with 58% growth in volume. In Canada, sales of *Heinz* toddler cereal products grew 35% and jarred products climbed 19%. In Europe, the *PLADA* brand of infant milk rose to the top position.

Pet products generated $1.2 billion in sales worldwide, as Heinz succeeded in getting sales and profits back on track. Heinz Pet Products aired television ads for its new *Kibbles 'n Bits 'n Beefy Bits* dog food. Sales volume of *Kibbles 'n Bits* in Canada jumped 28%. Heinz Pet Products unveiled a number of exciting new formulations, including vitamin-enhanced *9-Lives* cat food; *Snausages Party Sack*; and *Pounce Hairball Treat-Ment*, meaty-tasting treats that prevent and eliminate hairballs.

PRODUCTION AND PROCUREMENT

Operation Excel, the multi-year restructuring and growth initiative unveiled last year, continues to be a resounding success in focusing operations on Manufacturing Centers of Excellence in North America, Europe and Asia/Pacific.

Heinz announced plans to expand its Pittsburgh factory by constructing a 70,000-square-foot warehouse and distribution center.

Heinz combined its U.S. grocery and foodservice businesses at a central campus in Pittsburgh to create Heinz North America. Star-Kist Foods consolidated its western U.S. distribution operations, closing facilities in Carson and Corona, California. Heinz Pet Products announced plans to shutter its pet treat facility in El Paso, Texas and shift production to its plant in Topeka, Kansas.

Heinz Frozen Food Company consolidated all *Bagel Bites* production to its facility in Fort Myers, Florida and added a third *Bagel Bites* production line there, resulting in the downsizing of its Pocatello, Idaho factory. Heinz Frozen Food also sold its facility in Bloomsburg, Pennsylvania to Windsor Quality Foods, which continues to supply frozen pasta products to Heinz.

The company's tomato processing facility in Escalon, California embarked on an expansion project to double overall capacity.

In Europe, consolidation continued as Heinz sold its Zabreh factory in the Czech Republic and other businesses in Kecskemet, Hungary, and closed its Redditch, England plant.

In Spain, Heinz Iberica consolidated its tomato processing plants and built a modern factory at La Llanada, near Alfaro, to expand production of *Orlando* products including tomate frito, a popular cooking sauce.

Heinz closed a tuna cannery in Eden, Australia and two New Zealand facilities, a dry pet food factory in Timaru and a frozen vegetable factory in Gisbourne. Production of *Heinz* ketchup began at Heinz ABC's factory in Karawang, Indonesia.

Heinz sold the non-core Weight Watchers International classroom business to Artel Luxembourg, S.A. for $735 million. The transaction did not include core *Weight Watchers* foods.

ACQUISITIONS

Heinz acquired and maintained a 19.5% stake in The Hain Celestial Group to gain a strong foothold in the fast-growing organic and nutritional market. The deal thrust Heinz into a dynamic $20 billion U.S. market for natural and organic foods that is expanding at a rate of 15–18% annually.

Heinz's worldwide foodservice business grew with the acquisitions of Thermo Pac, Inc. of Stone Mountain, Georgia; and Serv-A-Portion of Turnhout, Belgium. Heinz Foodservice expanded its U.S. business by acquiring Quality Chef Foods, Inc., a leading manufacturer of frozen heat-and-serve soups, entrees and sauces.

In Israel, Heinz acquired a 51% share of Remedia Limited, that nation's leading producer of infant cereals and biscuits. Heinz also opened its second infant foods unit in China through a joint venture that is producing its first line of jarred baby food at a newly constructed factory in Qingdao, north of Shanghai.

In the U.K., Heinz significantly expanded its European frozen foods business with the acquisition of UB Frozen and Chilled Foods from United Biscuits for more than $300 million. UB's well-known products include *San Marco* pizzas and the *Linda McCartney* brand of vegetarian products.

Heinz expanded in the fast-growing market for Asian sauces by acquiring *Yoshida's* North America brand, whose annual sales top $20 million.

Heinz formed a joint venture with Nutri Asia of Manila to become the leading ketchup company in the Philippines. The unit is aptly named Heinz UFC Philippines.

PUBLIC SERVICE

Continuing its enduring commitment to public service, the H.J. Heinz Company Foundation awarded $6 million in grants to 990 organizations during Fiscal 2000. Heinz affiliates and employees worldwide also made community service part of their mission.

In the U.S., Heinz sponsored a special radio broadcast of the 111th Tournament of Roses Parade for the blind and visually impaired. Employees of Heinz Pet Products organized a food drive to assist tornado victims in Oklahoma. Heinz awarded a $2 million grant to the North Side Leadership Conference in Pittsburgh to enhance the community and provide employment and education programs for local residents.

In Canada, Heinz donated more than $250,000 to children's hospital foundations — 10 cents for every *Heinz* infant cereal or baby food label collected. Heinz also co-sponsored a Canadian symposium on the role of nutrition in prostate cancer prevention.

In Venezuela, Heinz aided mud slide victims by donating food and also contributed to a public children's hospital through a program called "Operation Love." In Australia, Heinz launched a new community support program. Tegel Foods helped educate New Zealand students and the public about safe handling of chicken. Heinz and Brother's Brother Foundation joined to supply school textbooks to students in Ghana.

OPERATION EXCEL

Background

In Fiscal 1999, the company announced a transformative growth and restructuring initiative that is expected to generate approximately $240 million in annual pretax savings upon full implementation and growth in earnings per share of 10 to 12 percent per year, on average. The initiative, named "Operation Excel," is a multi-year, multi-faceted program that will result in restructuring charges and implementation costs of approximately $1.1 billion. The company anticipates that substantially all restructuring charges and implementation costs will be recognized by the end of Fiscal 2001.

The major components of Operation Excel include: creating manufacturing centers of excellence, focusing the product portfolio, realigning the company's management teams and investing in growth initiatives.

Creating manufacturing centers of excellence is resulting in significant changes to the company's manufacturing footprint including the following initiatives:

- Closing the Harlesden factory in London, England and focusing the Kitt Green factory in Wigan, England on canned beans, soups and pasta production and focusing the Elst factory in the Netherlands on tomato ketchup and sauces
- Downsizing the Puerto Rico tuna processing facility and focusing this facility on lower volume/higher margin products (completed in Fiscal 2000)
- Focusing the Pittsburgh, Pennsylvania factory on soup and baby food production and shifting other production to existing facilities
- Consolidating manufacturing capacity in the Asia/Pacific region
- Closing the Zabreh, Czech Republic factory and disposing of the Czech dairy business and transferring the infant formula business to the Kendal, England factory (completed in Fiscal 2000)
- Downsizing the Pocatello, Idaho factory by shifting *Bagel Bites* production to the Ft. Myers, Florida factory, and shifting certain *Smart Ones* entrée production to the Massillon, Ohio factory (completed in Fiscal 2000)
- Closing the Redditch, England factory and shifting production to the Telford, England factory and the Turnhout factory in Belgium (completed in Fiscal 2000)
- Closing the El Paso, Texas pet treat facility and consolidating production in the Topeka, Kansas factory
- Disposing of the Bloomsburg, Pennsylvania frozen pasta factory (completed in Fiscal 2000).

The company is focusing the portfolio of product lines on six core food categories: ketchup, condiments and sauces; frozen foods; tuna; soups, beans and pasta meals; infant foods; and pet products. A consequence of this focus on the core categories was the sale of the *Weight Watchers* classroom business in Fiscal 2000. Additionally, seven other smaller businesses, which have combined annual revenues of approximately $80 million, are being disposed.

Realigning the company's management teams will provide processing and product expertise across the regions of North America, Europe and Asia/Pacific. Specifically, Operation Excel includes:

- Creating a single U.S. frozen food headquarters, resulting in the closure of the company's Ore-Ida head office in Boise, Idaho (completed in Fiscal 2000)
- Consolidating many European administrative support functions
- Creating a single North American Grocery & Foodservice headquarters in Pittsburgh, Pennsylvania, resulting in the relocation of the company's domestic seafood and pet food headquarters from Newport, Kentucky
- Creating two Asia/Pacific management teams with headquarters in Melbourne (for the Australian, New Zealand and Japanese businesses) and Singapore (for all other Asian businesses).

Growth initiatives include relaunching many of our core brands and additional investments in marketing and pricing programs for our core businesses, particularly in ketchup, condiments and sauces, frozen foods, infant foods and tuna.

The initiatives will result in the closure or exit of 21 factories or businesses. Management estimates that these actions will impact approximately 6,000 employees with a net reduction in the workforce of approximately 4,600, after expansion of certain facilities.

The pretax savings generated from all Operation Excel initiatives was $70.0 million in Fiscal 2000 and is projected to grow to $145 million in Fiscal 2001 and $215 million in Fiscal 2002, with non-cash savings of $15 million or less in any year.

Successful execution of Operation Excel will help the company achieve the following targets over the next three years:

- $240 million in annual ongoing pretax savings upon full implementation
- Earnings per share growth of 10 to 12 percent per year on average
- Sales growth of 4 to 5 percent per year on average
- Gross margins of 42%
- Return on invested capital of 40%
- $2.5 billion of free cash flow.

Operation Excel Status Update

During Fiscal 2000, the company recognized net restructuring charges and implementation costs totaling $392.7 million pretax ($0.74 per share). [Note: All earnings per share amounts included in Management's Discussion and Analysis are presented on an after-tax diluted basis.] Pretax charges of $170.4 million were classified as cost of products sold and $222.3 million as selling, general and administrative expenses ("SG&A"). During Fiscal 1999, the company recognized restructuring charges and implementation costs totaling $552.8 million pretax ($1.11 per share). Pretax charges of $396.4 million were classified as cost of products sold and $156.4 million as SG&A.

Included in the $392.7 million of net restructuring and implementation costs recognized in Fiscal 2000 is a reversal of $18.2 million pretax of Fiscal 1999 restructuring accruals (exit costs, $0.4 million and severance costs, $1.3 million) and asset write-downs ($16.5 million), primarily for the closure of the West Chester, Pennsylvania facility, which will now remain in operation as a result of the sale of the Bloomsburg facility in April of Fiscal 2000.

In Fiscal 2000, 11 factories and four businesses were sold or closed including those located in England, Hungary, the Czech Republic, New Zealand and the U.S., resulting in a net reduction of the company's workforce of approximately 3,000 employees. During Fiscal 1999,

the company's workforce was reduced by approximately 200 employees, principally through the closure of Ore-Ida's Boise head office and through the divestiture of the Clarksville, Arkansas sweet potato business.

Pretax savings totaled approximately $70 million ($10 million non-cash) in Fiscal 2000 resulting principally from the plant closures, administrative reductions and factory downsizings.

Capital expenditures related to the restructuring totaled $173.6 million in Fiscal 2000 and $5.8 million in Fiscal 1999 and related principally to new equipment resulting from creating manufacturing centers of excellence.

The company expects to incur approximately $150 million of additional implementation costs in Fiscal 2001. Implementation costs consist of incremental costs directly related to the implementation of Operation Excel, including consulting fees, employee relocation costs, unaccruable severance costs associated with terminated employees, training costs, equipment relocation costs and commissioning costs.

PROJECT MILLENNIA

During the fourth quarter of Fiscal 1997, the company announced a reorganization and restructuring program named "Project Millennia," which resulted in a total cost of approximately $750 million over three years. The reorganization plan was designed to strengthen the company's core businesses and improve profitability and global growth. Key initiatives were focused on process changes and product line rationalizations.

The company has completed Project Millennia. During Fiscal 2000, the company utilized $19.6 million of severance and exit accruals. The utilization of the accruals related principally to the closure of a tuna processing facility in Australia, the closure of a tomato processing facility in Spain and costs associated with contractual lease commitments of the U.S. *Weight Watchers* classroom business, which were transferred to the buyer of the classroom business.

As of May 3, 2000, the company has closed or divested all of the 25 plants that were scheduled for closure or divestiture. Project Millennia has resulted in a net workforce reduction of 2,250 employees.

The financial goals of the project have been achieved as follows:

- Pretax savings in excess of $200 million, of which $10 million were non-cash savings, were realized in Fiscal 2000
- Gross profit margins, excluding restructuring related items, increased to 40.3% in Fiscal 1999
- Operating working capital was reduced by approximately $350 million in the first year of the program
- More than $1.3 billion of free cash flow was generated in the first year of the program.

As of May 3, 2000, there are $0.5 million of remaining Project Millennia accruals. These accruals relate to contractual lease commitments in the U.S.

RESULTS OF OPERATIONS

2000 versus 1999: Sales for Fiscal 2000 increased $108.3 million, or 1.2%, to $9.41 billion from $9.30 billion in Fiscal 1999. Volume increased sales by $349.7 million, or 3.8%, and acquisitions increased sales by $438.2 million, or 4.7%. Divestitures reduced sales by $407.4 million, or 4.4%, lower pricing reduced sales by $161.2 million, or 1.7%, and the unfavorable impact of foreign exchange translation rates reduced sales by $111.0 million, or 1.2%. Domestic operations contributed approximately 52% of consolidated sales in Fiscal 2000 and 53% in Fiscal 1999.

Sales of the North American Grocery & Foodservice segment increased $61.4 million, or 1.5%. Sales volume increased 3.1%, due to increases in ketchup, condiments and sauces, foodservice, tuna and canned soup, partially offset by a decrease in canned pet food. Acquisitions, net of divestitures, increased sales 0.4%, and a stronger Canadian dollar increased sales 0.3%. Lower pricing reduced sales by 2.3%, due mainly to decreases in tuna and retail ketchup.

The North American Frozen segment's sales increased $9.5 million, or 0.9%. Sales volume increased 5.9%, driven by *Smart Ones* frozen entrées, *Boston Market* frozen meals and *Bagel Bites* snacks, partially offset by a decrease in *The Budget Gourmet* line of frozen entrées. The divestiture of several non-core product lines, net of acquisitions, reduced sales 3.4%. Lower pricing reduced sales 1.6%, primarily due to frozen potatoes.

Sales in Europe increased $123.0 million, or 5.0%. Acquisitions, net of divestitures, increased sales 8.6%, due primarily to the acquisitions of United Biscuit's European Frozen and Chilled Division, Remedia Limited (infant feeding), Sonnen Bassermann (convenience meals) and Serv-A-Portion (foodservice). Sales volume increased 3.4%, due to increases in tuna, infant foods and ketchup, condiments and sauces. The unfavorable impact of foreign exchange translation rates reduced sales 5.8% and lower pricing, primarily in tuna, reduced sales 1.2%.

Sales in Asia/Pacific increased $184.3 million, or 18.2%. Acquisitions, primarily *ABC* Sauces in Indonesia, increased sales 11.8%. Sales volume increased 4.5%, due to increases in infant foods, poultry and convenience meals. The favorable impact of foreign exchange translation rates increased sales 2.4%, primarily due to sales in Japan. Lower pricing reduced sales 0.5%.

Sales of Other Operating Entities decreased $269.9 million, or 36.0%. Divestitures reduced sales 38.0%, primarily due to the second quarter divestiture of the *Weight Watchers* classroom business and the Fiscal 1999 divestiture of the bakery products unit. Lower pricing reduced sales 1.9% and foreign exchange translation rates reduced sales 0.6%. Sales volume increased 4.5%.

The current year was favorably impacted by a number of special items which net to $40.1 million pretax ($0.10 per share), and are summarized in the tables below. During the second quarter of Fiscal 2000, the company completed the sale of the *Weight Watchers* classroom business for a pretax gain of $464.6 million ($0.72 per share). The company used part of this gain to fund a pretax contribution of $30.0 million ($0.05 per share) to the H.J. Heinz Company Foundation. Fiscal 2000 results also include Operation Excel implementation costs of $216.5 million pretax ($0.41 per share), additional Operation Excel restructuring charges of $194.5 million pretax ($0.37 per share) and a reversal of $18.2 million pretax ($0.04 per share) of Fiscal 1999 restructuring accruals and asset write-downs. In April of 1999, the company became aware of operational and accounting irregularities in its Ecuador tuna processing facility and expensed $10.0 million as an estimate of the losses. In the first quarter of Fiscal 2000, the company recognized an additional $20.0 million pretax ($0.05 per share) of expenses related to this facility. In addition, the company recognized, in Other Income, a pretax gain of $18.2 million ($0.03 per share) for the sale of an office building in the U.K. Last year's results included the reversal of unutilized Project Millennia accruals of $25.7 million pretax ($0.04 per share), Project Millennia implementation costs of $22.3 million pretax ($0.04 per share), Operation Excel restructuring and implementation costs of $552.8 million pretax ($1.11 per share) and a pretax gain of $5.7 million from the sale of the bakery products unit.

The following tables provide a comparison of the company's reported results and the results excluding special items for Fiscal 2000 and Fiscal 1999.

(Dollars in millions, except per share amounts)	Fiscal Year (53 Weeks) Ended May 3, 2000			
	Gross Profit	Operating Income	Net Income	Per Share
Reported results	**$3,619.4**	**$1,733.1**	**$ 890.6**	**$ 2.47**
Operation Excel restructuring	**107.7**	**194.5**	**134.4**	**0.37**
Operation Excel implementation costs	**79.2**	**216.5**	**145.9**	**0.41**
Operation Excel reversal	**(16.4)**	**(18.2)**	**(12.9)**	**(0.04)**
Ecuador expenses	**20.0**	**20.0**	**20.0**	**0.05**
Gain on U.K. building sale	**–**	**–**	**(11.8)**	**(0.03)**
Foundation contribution	**–**	**30.0**	**18.9**	**0.05**
Gain on sale of Weight Watchers classroom business	**–**	**(464.6)**	**(259.7)**	**(0.72)**
Results excluding special items	**$3,809.9**	**$1,711.2**	**$ 925.3**	**$ 2.57**

(Dollars in millions, except per share amounts)	Fiscal Year (52 Weeks) Ended April 28, 1999			
	Gross Profit	Operating Income	Net Income	Per Share
Reported results	$3,354.7	$1,109.3	$474.3	$ 1.29
Operation Excel restructuring and implementation costs	396.4	552.8	409.7	1.11
Project Millennia implementation costs	14.7	22.3	14.3	0.04
Project Millennia reversal	(20.7)	(25.7)	(16.4)	(0.04)
(Gain)/loss on sale of bakery products unit	–	(5.7)	0.6	–
Results excluding special items	$3,745.1	$1,653.0	$882.4	$ 2.40

(Note: Totals may not add due to rounding.)

Gross profit increased $264.7 million to $3.62 billion from $3.35 billion in Fiscal 1999. The gross profit margin increased to 38.5% from 36.1%. Excluding the special items identified above, gross profit increased $64.7 million, or 1.7%, to $3.81 billion from $3.75 billion and the gross profit margin increased to 40.5% from 40.3%. Gross profit for the North American Grocery & Foodservice segment increased $52.5 million, or 3.4%, due to increases at Heinz U.S.A. and Heinz Canada, partially offset by a significant decrease in the selling price of tuna at Star-Kist. North American Frozen's gross profit decreased slightly $2.0 million, or 0.4%, as increased sales volume was offset by lower pricing and the elimination of several non-core product lines. Europe's gross profit increased $62.0 million, or 6.1%, due primarily to a favorable profit mix, and the acquisitions of United Biscuit's European Frozen and Chilled Division, Remedia Limited, Sonnen Bassermann and Serv-A-Portion. The unfavorable impact of foreign exchange translation rates reduced Europe's gross profit by approximately $65 million. The Asia/Pacific segment's gross profit increased $84.4 million, or 23.4%, driven by the acquisition of *ABC* Sauces in Indonesia, improved performances throughout the segment, and the favorable impact of foreign exchange translation rates in Japan. Other Operating Entities' gross profit decreased $130.4 million, or 40.6%, due primarily to the second quarter divestiture of the *Weight Watchers* classroom business and the Fiscal 1999 divestiture of the bakery products unit.

SG&A increased $105.5 million to $2.35 billion from $2.25 billion and increased as a percentage of sales to 25.0% from 24.1%. Excluding the special items identified above, SG&A increased $6.5 million to $2.10 billion from $2.09 billion and decreased as a percentage of sales to 22.3% from 22.5%. Increased selling and distribution expenses, primarily in Asia/Pacific and Europe, resulting from acquisitions, were offset by decreases in marketing and general and

administrative expenses. Marketing decreased $11.2 million, or 1.3%, primarily due to the second quarter divestiture of the *Weight Watchers* classroom business. Excluding the *Weight Watchers* classroom business, marketing expense increased 6.5%. Marketing increases were noted in all major segments.

Total marketing support (including trade and consumer promotions and media) increased 6.6% to $2.37 billion from $2.22 billion on a sales increase of 1.2%. Excluding the *Weight Watchers* classroom business, total marketing support increased 9.6%. Advertising costs in Fiscal 2000 were $374.0 million compared to $373.9 million in Fiscal 1999. Excluding the *Weight Watchers* classroom business in both periods, advertising costs increased 9.3%.

Operating income increased $623.8 million, or 56.2%, to $1.73 billion from $1.11 billion last year. Excluding the special items identified above, operating income increased $58.2 million, or 3.5%, to $1.71 billion from $1.65 billion last year. Removing the impact of the *Weight Watchers* classroom business in both periods, operating income increased 6.6%. Domestic operations provided approximately 59% and 57% of operating income in Fiscal 2000 and Fiscal 1999, respectively. Excluding the special items in both years, domestic operations provided approximately 54% and 55% of operating income in Fiscal 2000 and Fiscal 1999, respectively.

The North American Grocery & Foodservice segment's operating income decreased $22.5 million, or 3.1%, to $694.4 million from $717.0 million last year. Excluding the special items noted above (see Note 14 to the Consolidated Financial Statements), operating income increased $40.6 million, or 4.9%, to $875.3 million from $834.6 million last year. The strong performance of Heinz U.S.A., improvements in Heinz Canada and the pet food business and savings from Operation Excel were partially offset by a significant decrease in the selling price of tuna at Star-Kist.

The North American Frozen segment's operating income increased $71.8 million to $152.0 million from $80.2 million last year. Excluding the special items noted above (see Note 14 to the Consolidated Financial Statements), operating income decreased $1.9 million, or 1.0%, to $181.5 million from $183.4 million last year. This decrease is attributable to higher marketing expenses as a result of the national campaign in support of *Boston Market* and lower pricing on *Ore-Ida* frozen potatoes, offset by a reduction in SG&A resulting from the domestic consolidation of the frozen business as part of Operation Excel.

Europe's operating income increased $118.0 million, or 47.9%, to $364.2 million from $246.2 million. Excluding the special items noted above (see Note 14 to the Consolidated Financial Statements), operating income increased $35.1 million, or 7.5%, to $502.3 million from $467.2 million last year, due primarily to a favorable profit mix, savings from Operation Excel and the acquisitions of United Biscuit's European Frozen and Chilled Division, Remedia Limited and Serv-A-Portion. The unfavorable impact of foreign exchange translation rates reduced Europe's operating income by approximately $26 million.

Asia/Pacific's operating income increased $34.3 million, or 38.2%, to $124.1 million from $89.8 million last year. Excluding the special items noted above (see Note 14 to the Consolidated Financial Statements), operating income increased $31.8 million, or 21.8%, to $177.5 million from $145.7 million last year. This increase is attributable to the acquisition of *ABC* Sauces in Indonesia and solid performances from Japan, India and the poultry business.

Other Operating Entities reported an increase in operating income of $444.4 million to $540.2 million from $95.7 million last year. Excluding the special items noted above (see Note 14 to the Consolidated Financial Statements), operating income decreased $44.9 million, or 36.9% to $77.0 million from $122.0 million last year. This decrease is primarily attributable to the second quarter divestiture of the *Weight Watchers* classroom business.

Other expenses, net totaled $269.4 million compared to $274.2 million last year. The decrease is primarily due to a gain on the sale of an office building in the U.K. of $18.2 million pretax ($0.03 per share) partially offset by an increase in interest expense resulting from higher average borrowings and interest rates.

The effective tax rate for Fiscal 2000 was 39.2% compared to 43.2% last year. The Fiscal 2000 effective tax rate was unfavorably impacted by the excess of basis in assets for financial reporting over the tax basis of assets included in the *Weight Watchers* sale and by gains in higher taxed states related to the sale. The Fiscal 2000 and 1999 effective tax rates were unfavorably impacted by restructuring and implementation costs expected to be realized in lower tax rate jurisdictions and by nondeductible expenses related to the restructuring. Excluding the special items identified in the tables above, the effective tax rate for Fiscal 2000 was 35.0% compared to 36.0% last year.

Net income increased $416.2 million to $890.6 million from $474.3 million last year and earnings per share increased to $2.47 from $1.29. Excluding the special items noted above, net income increased 4.9% to $925.3 million from $882.4 million, and earnings per share increased 7.1% to $2.57 from $2.40 last year. Removing the impact of the *Weight Watchers* classroom business in both years, earnings per share increased 9.6% and net income increased 7.1%.

The impact of fluctuating exchange rates for Fiscal 2000 remained relatively consistent on a line-by-line basis throughout the Consolidated Statement of Income.

1999 versus 1998: Sales for Fiscal 1999 increased $90.3 million, or 1.0%, to $9.30 billion from $9.21 billion in Fiscal 1998. Volume increased sales by $290.2 million, or 3.2%, acquisitions increased sales by $188.2 million, or 2.0%, and favorable pricing contributed $34.8 million, or 0.4%. The unfavorable impact of foreign exchange translation rates reduced sales by $210.3 million, or 2.3%, and divestitures decreased sales by $212.6 million, or 2.3%. Domestic operations contributed approximately 53% of consolidated sales in both Fiscal 1999 and Fiscal 1998.

Sales of the North American Grocery & Foodservice segment increased $127.4 million, or 3.2%, primarily due to sales volume increases of $156.6 million, or 4.0%. Volume increases in *Heinz* ketchup, seafood and condiments were partially offset by a volume decrease in canned dog food. Acquisitions, net of divestitures, contributed $36.9 million, or 0.9%, to the sales increase, primarily due to the acquisition of the *College Inn* brand of canned broths. These increases were partially offset by unfavorable pricing of $36.1 million, or 0.9%. Price decreases were noted in seafood and pet food. The unfavorable fluctuation of the Canadian dollar caused a $30.0 million, or 0.8%, decrease in net sales.

The North American Frozen segment's sales decreased $61.7 million, or 5.7%. Divestitures, net of acquisitions, accounted for $71.2 million, or 6.6%, of the decrease, primarily due to the divestiture of the *Ore-Ida* frozen foodservice business in the first quarter of Fiscal 1998. Price decreases, primarily in frozen potatoes, contributed $13.5 million, or 1.2%, to the sales decrease. Volume increases of $23.0 million, or 2.1%, were largely due to *Smart Ones* frozen entrées, partially offset by decreased volume in appetizers.

Sales in Europe increased $128.1 million, or 5.5%, primarily due to acquisitions, which contributed $94.2 million, or 4.0%. Acquisitions impacting the year-to-year sales dollar comparison include the Fiscal 1998 acquisition of John West Foods Limited in the U.K. and the Fiscal 1999 acquisition of the convenience meals business of Sonnen Bassermann in

Germany and other smaller acquisitions. Exchange rates had a favorable impact of $21.0 million, or 0.9%, primarily in Italy. Favorable pricing increased sales by $13.5 million, or 0.6%, while sales volume was flat.

Sales in Asia/Pacific decreased $61.1 million, or 5.7%. The unfavorable impact of foreign exchange translation rates reduced sales by $128.1 million, or 11.9%, primarily due to sales in New Zealand, Australia, South Korea and India. This decrease was partially offset by favorable volume of $33.8 million, or 3.1%, and favorable price of $21.2 million, or 2.0%. Acquisitions also contributed $12.0 million, or 1.1%.

Sales of Other Operating Entities decreased $42.4 million, or 5.3%. Divestitures, primarily the bakery products unit, decreased sales by $122.5 million, or 15.5%. The unfavorable impact of foreign exchange translation rates decreased sales by $73.1 million, or 9.2%, principally in Africa. These decreases were partially offset by volume increases of $77.4 million, or 9.8%, largely due to the *Weight Watchers* classroom business. In addition, price increases contributed $49.6 million, or 6.3%, and acquisitions, primarily in South Africa, contributed $26.2 million, or 3.3%, to sales.

The following tables provide a comparison of the company's reported results and the results excluding special items for Fiscal 1999 and Fiscal 1998.

	Fiscal Year (52 Weeks) Ended April 28, 1999			
(Dollars in millions, except per share amounts)	*Gross Profit*	*Operating Income*	*Net Income*	*Per Share*
Reported results	$3,354.7	$1,109.3	$474.3	$ 1.29
Operation Excel restructuring and implementation costs	396.4	552.8	409.7	1.11
Project Millennia implementation costs	14.7	22.3	14.3	0.04
Project Millennia reversal	(20.7)	(25.7)	(16.4)	(0.04)
(Gain)/loss on sale of bakery products unit	–	(5.7)	0.6	–
Results excluding special items	$3,745.1	$1,653.0	$882.4	$ 2.40

	Fiscal Year (52 Weeks) Ended April 29, 1998			
(Dollars in millions, except per share amounts)	*Gross Profit*	*Operating Income*	*Net Income*	*Per Share*
Reported results	$3,498.1	$1,520.3	$801.6	$ 2.15
Gain on sale of Ore-Ida frozen foodservice business	–	(96.6)	(53.1)	(0.14)
Project Millennia implementation costs	35.7	84.1	53.0	0.14
Results excluding special items	$3,533.8	$1,507.9	$801.4	$ 2.15

(Note: Totals may not add due to rounding.)

Gross profit decreased $143.3 million to $3.35 billion from $3.50 billion in Fiscal 1998. The gross profit margin decreased to 36.1% from 38.0%. Excluding the special items identified above, gross profit would have increased $211.4 million, or 6.0%, to $3.75 billion from $3.53 billion and the gross profit margin would have increased to 40.3% from 38.4%. Europe accounted for $156.5 million of this increase due to improvements in the baby food business in Italy, the favorable impact of foreign exchange translation rates and acquisitions. North American Grocery & Foodservice segment's gross profit increased $56.7 million due to cost savings from Project Millennia, stronger sales volume and acquisitions, partially offset by the disappointing performance of the domestic pet food business. Other Operating Entities' gross profit increased $41.5 million due to improvements in the *Weight Watchers* classroom business, attributable to the *Weight Watchers 1·2·3 Success™ Plan*. North American Frozen's gross profit decrease of $24.0 million was due to the divestiture of the *Ore-Ida* frozen foodservice business

in Fiscal 1998 and increased competitive activities for frozen potatoes, partially offset by the strong performance of *Smart Ones* frozen entrées. The Asia/Pacific segment's gross profit decreased $20.6 million, or 5.4%; however, excluding the unfavorable impact of foreign exchange translation rates ($47.6 million), primarily in New Zealand and Australia, gross profit increased $27.0 million, or 7.1%.

SG&A increased $267.7 million to $2.25 billion from $1.98 billion and increased as a percentage of sales to 24.1% from 21.5%. Excluding special items identified above, SG&A increased $66.2 million to $2.09 billion from $2.03 billion and increased as a percentage of sales to 22.5% from 22.0%. Marketing increases were noted in the North American Grocery & Foodservice segment primarily due to a focus on *Heinz* ketchup and in Europe where the company aggressively promoted ketchup and beans. These increases were partially offset by decreased marketing expense in the North American Frozen segment as a result of establishing low everyday list prices for *The Budget Gourmet* line of frozen entrées. Excluding marketing, SG&A was stable as a percentage of sales year-on-year.

Total marketing support (including trade and consumer promotions and media) increased 8.4% to $2.22 billion from $2.05 billion on a sales increase of 1.0%. Advertising costs to support the company's key brands increased 3.0% to $373.9 million in Fiscal 1999 from $363.1 million in Fiscal 1998.

Operating income decreased $411.0 million, or 27.0%, to $1.11 billion from $1.52 billion reported in Fiscal 1998. Excluding the special items in both years, operating income increased $145.2 million, or 9.6%, to $1.65 billion from $1.51 billion in Fiscal 1998. This increase was primarily due to the increase in gross profit, partially offset by increased marketing and selling and distribution costs. Domestic operations provided approximately 57% and 59% of operating income in Fiscal 1999 and Fiscal 1998, respectively. Excluding the special items in both years, domestic operations provided approximately 55% and 57% of operating income in Fiscal 1999 and Fiscal 1998, respectively.

The North American Grocery & Foodservice segment's operating income decreased $80.2 million, or 10.1%, to $717.0 million from $797.2 million in Fiscal 1998. Excluding the special items in both years (see Note 14 to the Consolidated Financial Statements), this segment's operating income increased $8.6 million, or 1.0%, to $834.6 million from $826.0 million. Excluding the results of the domestic pet food business, the North American Grocery & Foodservice segment experienced double-digit operating income growth due to strong sales volume and acquisitions, primarily the *College Inn* brand of canned broths, as well as cost savings from Project Millennia. The domestic pet food business was negatively impacted by higher costs associated with the introduction of the *9-Lives* four pack, an unfavorable mix shift, significant volume declines in canned dog food and ineffective trade spending, all of which the company has aggressively worked to correct.

The North American Frozen segment reported $80.2 million of operating income in Fiscal 1999 versus $258.2 million in Fiscal 1998. Excluding special items in both years (see Note 14 to the Consolidated Financial Statements), operating income increased $12.7 million, or 7.4%, to $183.4 million from $170.7 million. The increase is primarily due to favorable operating results of the *Smart Ones* frozen entrée line; partially offset by the retail frozen potato business, where prices have been reduced in order to recapture market share.

Europe's operating income decreased $140.7 million, or 36.4%, to $246.2 million from $386.9 million. Excluding special items in both years (see Note 14 to the Consolidated Financial Statements), operating income increased $61.7 million, or 15.2%, to $467.2 million from $405.4 million. This increase was primarily due to favorable operating results in the U.K. and Italy due to increased sales prices and acquisitions, partially offset by increased marketing spending described above.

Asia/Pacific's operating income decreased $46.7 million, or 34.2%, to $89.8 million from $136.5 million. Excluding special items in both years (see Note 14 to the Consolidated Financial Statements), operating income increased $3.3 million to $145.7 million from $142.3 million in Fiscal 1998. Strong performances in all of the company's Asia/Pacific businesses more than offset the unfavorable impact of foreign exchange translation rates, which reduced operating income by approximately $19.5 million.

Other Operating Entities reported an increase in operating income of $42.0 million to $95.7 million from $53.7 million. Excluding special items in both years (see Note 14 to the Consolidated Financial Statements), operating income increased $58.4 million, or 91.8%, to $122.0 million from $63.6 million. The increase is primarily due to the exceptional performance of the *Weight Watchers 1·2·3 Success™ Plan*. The unfavorable fluctuation of foreign exchange translation rates, primarily in Africa, caused a $12.5 million decrease in operating income.

Other income and expenses totaled $274.2 million in Fiscal 1999 compared to $265.3 million in Fiscal 1998. Interest expense was relatively flat year-on-year as the increase in average borrowings was offset by lower interest rates. Interest income decreased $7.6 million, or 23.2%, to $25.1 million from $32.7 million due to decreased invested funds and significantly lower interest rates on investments, primarily in Italy.

The effective tax rate for Fiscal 1999 was 43.2% compared to 36.1% in Fiscal 1998. The Fiscal 1999 higher rate includes the impact of restructuring expenses in lower tax rate jurisdictions and nondeductible expenses related to the restructuring. Excluding the special items noted above, the effective rate for Fiscal 1999 was 36.0% compared to 35.5% in Fiscal 1998. The Fiscal 1998 effective tax rate reflects the benefits of tax legislation in Italy and the U.K. (See Note 5 to the Consolidated Financial Statements.)

Net income decreased $327.2 million to $474.3 million from $801.6 million in Fiscal 1998 and earnings per share decreased to $1.29 from $2.15. Excluding the special items discussed above, net income increased $81.0 million, or 10.1%, to $882.4 million in Fiscal 1999 from $801.4 million in Fiscal 1998, and earnings per share increased to $2.40 from $2.15.

The impact of fluctuating exchange rates for Fiscal 1999 remained relatively consistent on a line-by-line basis throughout the Consolidated Statement of Income.

LIQUIDITY AND FINANCIAL POSITION

Return on average shareholders' equity ("ROE") was 52.4% in Fiscal 2000, 23.6% in Fiscal 1999 and 34.4% in Fiscal 1998. Excluding the special items identified above, ROE was 54.4% in Fiscal 2000, 43.9% in Fiscal 1999 and 34.4% in Fiscal 1998. Pretax return on average invested capital ("ROIC") was 31.4% in Fiscal 2000, 20.4% in Fiscal 1999 and 26.4% in Fiscal 1998. Excluding the special items identified above, ROIC was 30.6% in Fiscal 2000, 30.7% in Fiscal 1999 and 26.2% in Fiscal 1998.

Cash provided by operating activities decreased to $543.1 million in Fiscal 2000, compared to $910.1 million in Fiscal 1999 and $1.07 billion in Fiscal 1998. The decrease in Fiscal 2000 versus Fiscal 1999 is primarily due to expenditures on Operation Excel and increased inventory levels. In order to facilitate the anticipated plant shutdowns and reconfigurations for Operation Excel, the company has increased inventory levels at certain locations.

Cash used for investing activities was $268.7 million in Fiscal 2000 compared to $390.5 million in Fiscal 1999. Acquisitions in the current year required $394.4 million versus $269.0 million last year. Current year acquisitions included United Biscuit's European Frozen and Chilled Division, Quality Chef Foods, *Yoshida*, Thermo Pac, Inc. and Remedia Limited in Israel. Fiscal 1999 acquisitions included the *College Inn* brand of canned broths, *ABC* Sauces in Indonesia, and other smaller acquisitions. (See Note 2 to the Consolidated Financial

Statements.) During Fiscal 2000, the company invested $99.8 million in The Hain Celestial Group, Inc., formerly The Hain Food Group, Inc. Divestitures in the current year provided $726.5 million, primarily from the sale of the *Weight Watchers* classroom business, compared to $180.4 million in Fiscal 1999, primarily from the sale of the company's bakery products unit. (See Note 3 to the Consolidated Financial Statements.)

Capital expenditures totaled $452.4 million compared to $316.7 million last year. The increase is attributable to Operation Excel related capital expenditures across all major segments. Last year's capital expenditures were concentrated in the North American Grocery & Foodservice and European segments.

Purchases and sales/maturities of short-term investments increased in Fiscal 2000. The company periodically sells a portion of its short-term investment portfolio in order to reduce its borrowings.

Financing activities required $259.2 million compared to $515.5 million last year. Cash used for dividends to shareholders increased $28.9 million to $513.8 million from $484.8 million last year. Purchases of treasury stock totaled $511.5 million (12.8 million shares) in Fiscal 2000, compared to $410.1 million (7.5 million shares) in Fiscal 1999. Net funds borrowed were $739.1 million in Fiscal 2000 compared to $268.3 million in Fiscal 1999. Cash provided from stock options exercised totaled $20.0 million in Fiscal 2000 versus $77.2 million in Fiscal 1999.

The average amount of short-term debt outstanding during Fiscal 2000, Fiscal 1999 and Fiscal 1998 was $315.5 million, $453.9 million and $556.3 million, respectively. Total short-term debt had a weighted-average interest rate during Fiscal 2000 of 6.2% and at year-end of 6.5%. The weighted-average interest rate on short-term debt during Fiscal 1999 was 6.3% and at year-end was 5.3%.

Aggregate domestic commercial paper had a weighted-average interest rate during Fiscal 2000 of 5.5% and at year-end of 6.2%. In Fiscal 1999, the weighted-average interest rate was 5.3% and the rate at year-end was 4.9%. Based upon the amount of commercial paper outstanding at May 3, 2000, a variance of ⅛% in the related interest rate would cause annual interest expense to change by approximately $2.6 million.

On January 5, 2000, the company issued €300 million of 5% Notes due 2005. The proceeds were used to repay domestic commercial paper. On February 15, 2000, the company issued $300 million of 7.0% Notes due 2002. The proceeds were used to repay domestic commercial paper. On February 18, 2000, the company issued £125 million of 6.25% Notes due 2030. The proceeds were used for general corporate purposes, including repaying commercial paper borrowings that were incurred in connection with the acquisition of United Biscuit's European Frozen and Chilled Division in December 1999. The company entered into an interest rate swap agreement with a notional amount of £50 million and a settlement date of April 2001. The swap converts the 6.25% fixed rate to a floating rate. (See Note 6 to the Consolidated Financial Statements.)

The company's $2.30 billion credit agreement, which expires in September 2001, supports its commercial paper program. As of May 3, 2000, $2.08 billion of domestic commercial paper is classified as long-term debt due to the long-term nature of the supporting credit agreement. As of April 28, 1999, the company had $1.41 billion of domestic commercial paper outstanding and classified as long-term debt.

On September 8, 1999, the company's Board of Directors raised the quarterly dividend on the company's common stock to $0.36¾ per share from $0.34¼ per share, for an indicated annual rate of $1.47 per share. The company paid $513.8 million in dividends to both common and preferred shareholders, an increase of $28.9 million, or 6.0% over Fiscal 1999. The dividend rate in effect at the end of each year resulted in a payout ratio of 59.5% in Fiscal 2000, 106.2% in Fiscal 1999 and 58.6% in Fiscal 1998. Excluding the impact of special items in all years, the payout ratio was 57.2% in Fiscal 2000, 57.1% in Fiscal 1999 and 58.6% in Fiscal 1998.

In Fiscal 2000, the company repurchased 12.8 million shares of common stock, or 3.6% of the amount outstanding at the beginning of Fiscal 2000, at a cost of $511.5 million compared to the repurchase of 7.5 million shares, or 2.1% of the amount outstanding at the beginning of Fiscal 1999, at a cost of $410.1 million in Fiscal 1999. On June 1, 1999, the company completed the 10.0 million share repurchase program which was authorized by the Board of Directors on September 10, 1997. On June 9, 1999, the Board of Directors authorized the repurchase of up to 20.0 million shares. As of May 3, 2000, the company had repurchased 12.0 million shares of the 20.0 million share program. The company may reissue repurchased shares upon the exercise of stock options, conversions of preferred stock and for general corporate purposes.

In Fiscal 2000, the cash requirements of Operation Excel were $479.4 million, consisting of spending for severance and exit costs ($89.3 million), capital expenditures ($173.6 million) and implementation costs ($216.5 million). The Fiscal 2000 cash requirements for Project Millennia were $29.1 million, consisting of spending for severance and exit costs ($19.6 million) and capital expenditures ($9.5 million). In Fiscal 1999, the cash requirements of Operation Excel were $75.6 million, consisting of spending for severance and exit costs ($16.6 million), capital expenditures ($5.8 million) and implementation costs ($53.2 million). The Fiscal 1999 cash requirements for Project Millennia were $117.4 million, consisting of spending for severance and exit costs ($48.6 million), capital expenditures ($46.5 million) and implementation costs ($22.3 million). In Fiscal 2001, the company expects the cash requirements of Operation Excel to be approximately $413 million, consisting of severance and exit costs ($104 million of the $125.2 million accrued at May 3, 2000), capital expenditures ($159 million) and implementation costs ($150 million). The company is financing the cash requirements of these programs through operations, proceeds from the sale of non-strategic assets and with short-term and long-term borrowings. The cash requirements of Operation Excel will not have a significant impact on the company's liquidity or financial position.

During 1995, the company participated in the formation of a business ("the entity") which purchases a portion of the trade receivables generated by the company. The company sells receivables to Jameson, Inc., a wholly owned subsidiary, which then sells undivided interests in the receivables to the entity. Outside investors contributed $95.4 million in capital to the entity. The company consolidates the entity, and the capital contributed by outside investors is classified as minority interest (other long-term liabilities) on the Consolidated Balance Sheets.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FAS Statement 133," which postponed the adoption date of SFAS No. 133. As such, the company is not required to adopt the statement until Fiscal 2002. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an Amendment of FASB Statement No. 133." This statement amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. The company is currently evaluating the effect that implementation of the new standard will have on its results of operations and financial position.

In May 2000, the FASB Emerging Issues Task Force (the "EITF") issued new guidelines entitled "Accounting for Certain Sales Incentives" which address the recognition, measurement and income statement classification for certain sales incentives (e.g., coupons). These guidelines will be effective for the company beginning in the second quarter of Fiscal 2001. The implementation of these guidelines will require the company to make reclassifications between SG&A and sales.

In December 1999, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. Management believes that the impact of SAB No. 101, which will be effective in the fourth quarter of Fiscal 2001, will not have a material effect on its financial position or results of operations.

On June 19, 2000, the company exercised its preemptive right to purchase an additional 2,582,774 shares of Hain for approximately $80 million, or $30.88 per share. This transaction restored the company's ownership interest in Hain to 19.5%. The company's ownership had been diluted as a result of Hain's stock-for-stock merger with *Celestial Seasonings* on May 30, 2000.

The impact of inflation on both the company's financial position and results of operations is not expected to adversely affect Fiscal 2001 results.

The company's financial position continues to remain strong, enabling it to meet cash requirements for operations, capital expansion programs and dividends to shareholders. The company's goal remains the achievement of 10% EPS growth for Fiscal 2001 with stronger performance expected in the second half of the year resulting from the contribution of new brands and Operation Excel savings.

MARKET RISK FACTORS

The following discussion about the company's risk-management activities includes "forward-looking" statements that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements.

The company is exposed to market risks from adverse changes in foreign exchange rates, interest rates and commodity prices. As a policy, the company does not engage in speculative or leveraged transactions, nor does the company hold or issue financial instruments for trading purposes.

Foreign Exchange Rate Sensitivity: The company's cash flow and earnings are subject to fluctuations due to exchange rate variation. Foreign currency risk exists by nature of the company's global operations. The company manufactures and sells its products in a number of locations around the world, and hence foreign currency risk is well diversified.

When appropriate, the company may attempt to limit its exposure to changing foreign exchange rates through both operational and financial market actions. These actions may include entering into forward, option and swap contracts to hedge existing exposures, firm commitments and anticipated transactions. The instruments are used to reduce risk

by essentially creating offsetting currency exposures. As of May 3, 2000, the company held contracts for the purpose of hedging certain intercompany cash flows with an aggregate notional amount of approximately $320 million. In addition, the company held separate contracts in order to hedge purchases of certain raw materials and finished goods and for payments arising from certain foreign currency denominated obligations totaling approximately $260 million. The company also held contracts to hedge sales denominated in foreign currencies of $105 million. The company's contracts mature within two years of the fiscal year-end. The contracts that effectively meet the risk reduction and correlation criteria, as measured on a currency-by-currency basis, are accounted for as hedges. Accordingly, gains and losses are deferred in the cost basis of the underlying transaction. In those circumstances when it is not appropriate to account for the contracts as hedges, any gains and losses from mark-to-market and settlement are recorded in miscellaneous income and expense. At May 3, 2000, unrealized gains and losses on outstanding foreign currency contracts are not material. As of May 3, 2000, the potential gain or loss in the fair value of the company's outstanding foreign currency contracts, assuming a hypothetical 10% fluctuation in the currencies of such contracts, would be approximately $20 million. However, it should be noted that any change in the value of the contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In addition, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

Substantially all of the company's foreign affiliates' financial instruments are denominated in their respective functional currencies. Accordingly, exposure to exchange risk on foreign currency financial instruments is not material. (See Note 12 to the Consolidated Financial Statements.)

Interest Rate Sensitivity: The company is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used to maintain liquidity and fund business operations. The company continues to utilize commercial paper to fund working capital requirements in the U.S. and Canada. The company also borrows in different currencies from other sources to meet the borrowing needs of its foreign affiliates. The nature and amount of the company's long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. The company may utilize interest rate swap agreements to lower funding costs or to alter interest rate exposure. As of May 3, 2000, the company was party to an interest rate swap with a notional amount of £50 million and a settlement date of April 2001. The swap converts a 6.25% fixed rate exposure, on long-term debt maturing in 2030, to a floating rate exposure.

The following table summarizes the company's debt obligations at May 3, 2000. The interest rates represent weighted-average rates, with the period-end rate used for the variable rate debt obligations. The fair value of the debt obligations approximated the recorded value as of May 3, 2000. (See Notes 6 and 12 to the Consolidated Financial Statements.)

	Expected Fiscal Year of Maturity						
(Dollars in thousands)	*2001*	*2002*	*2003*	*2004*	*2005*	*Thereafter*	*Total*
Fixed rate	$ 20,055	$ 311,880	$461,141	$1,672	$273,022	$674,972	$1,742,742
Average interest rate	7.19%	7.04%	6.20%	7.85%	5.04%	6.83%	
Variable rate	$156,520	$2,092,933	$ 5,855	$6,069	$ 6,639	$101,643	$2,369,659
Average interest rate	6.54%	6.21%	8.80%	8.78%	8.77%	5.94%	

Commodity Price Sensitivity: The company is the purchaser of certain commodities such as corn, wheat and soybean meal and oil. The company generally purchases these commodities based upon market prices that are established with the vendor as part of the purchase process. In general, the company does not use significant levels of commodity financial instruments to hedge commodity prices due to a high correlation between the commodity cost and the ultimate selling price of the product. On occasion, the company may enter into commodity future or option contracts, as deemed appropriate, to reduce the effect of price fluctuations on some future manufacturing requirements. Such contracts are accounted for as hedges, with gains and losses recognized as part of cost of products sold, and generally have a term of less than one year. As of May 3, 2000, unrealized gains and losses related to commodity contracts held by the company were not material nor would they be given a hypothetical 10% fluctuation in market prices. It should be noted that any change in the value of the contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. (See Note 12 to the Consolidated Financial Statements.)

EURO CONVERSION

A single currency, the Euro, was introduced in Europe on January 1, 1999. Of the fifteen member countries of the European Union, eleven adopted the Euro as their legal currency on that date. Fixed conversion rates between the national currencies of these eleven countries and the Euro were established on that date. The national currencies are scheduled to remain legal tender as denominations of the Euro during the transition period ending December 31, 2001. During this transition period, parties may settle transactions using either the Euro or a participating country's national currency. At the current time, the company does not believe that the conversion to the Euro will have a material impact on its business or its financial condition.

STOCK MARKET INFORMATION

H.J. Heinz Company common stock is traded principally on the New York Stock Exchange and the Pacific Stock Exchange, under the symbol HNZ. The number of shareholders of record of the company's common stock as of June 30, 2000 approximated 58,500. The closing price of the common stock on the New York Stock Exchange composite listing on May 3, 2000 was $37⅝.

Stock price information for common stock by quarter follows:

	Stock Price Range	
	High	*Low*
2000		
First	**$54**	**$45¾**
Second	**48 5/16**	**41⅞**
Third	**48¼**	**36⅝**
Fourth	**39 15/16**	**30 13/16**
1999		
First	$ 58½	$ 51⅝
Second	61⅛	48½
Third	61¾	51 3/16
Fourth	58 13/16	44 9/16

CONSOLIDATED STATEMENTS OF INCOME

H.J. Heinz Company and Subsidiaries

Fiscal year ended	**May 3, 2000**	April 28, 1999	April 29, 1998
(Dollars in thousands, except per share amounts)	**(53 Weeks)**	(52 Weeks)	(52 Weeks)
Sales	**$9,407,949**	$9,299,610	$9,209,284
Cost of products sold	**5,788,525**	5,944,867	5,711,213
Gross profit	**3,619,424**	3,354,743	3,498,071
Selling, general and administrative expenses	**2,350,942**	2,245,431	1,977,741
Gain on sale of Weight Watchers	**464,617**	–	–
Operating income	**1,733,099**	1,109,312	1,520,330
Interest income	**25,330**	25,082	32,655
Interest expense	**269,748**	258,813	258,616
Other expenses, net	**25,005**	40,450	39,388
Income before income taxes	**1,463,676**	835,131	1,254,981
Provision for income taxes	**573,123**	360,790	453,415
Net income	**$ 890,553**	$ 474,341	$ 801,566
PER COMMON SHARE AMOUNTS:			
Net income – diluted	**$ 2.47**	$ 1.29	$ 2.15
Net income – basic	**$ 2.51**	$ 1.31	$ 2.19
Cash dividends	**$ 1.44½**	$ 1.34¼	$ 1.23½
Average common shares outstanding – diluted	**360,095,455**	367,830,419	372,952,851
Average common shares outstanding – basic	**355,272,696**	361,203,539	365,982,290

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

H.J. Heinz Company and Subsidiaries

Assets (Dollars in thousands)	***May 3, 2000***	*April 28, 1999*
CURRENT ASSETS:		
Cash and cash equivalents	**$ 137,617**	$ 115,982
Short-term investments, at cost which approximates market	**16,512**	7,139
Receivables (net of allowances: 2000 – $18,697 and 1999 – $21,633)	**1,237,804**	1,163,915
Inventories:		
Finished goods and work-in-process	**1,270,329**	1,064,015
Packaging material and ingredients	**329,577**	345,636
	1,599,906	1,409,651
Prepaid expenses	**171,599**	154,619
Other current assets	**6,511**	35,472
Total current assets	**3,169,949**	2,886,778
PROPERTY, PLANT AND EQUIPMENT:		
Land	**45,959**	48,649
Buildings and leasehold improvements	**860,873**	798,307
Equipment, furniture and other	**3,440,915**	3,227,019
	4,347,747	4,073,975
Less accumulated depreciation	**1,988,994**	1,902,951
Total property, plant and equipment, net	**2,358,753**	2,171,024
OTHER NON-CURRENT ASSETS:		
Goodwill (net of amortization: 2000 – $312,433 and 1999 – $352,209)	**1,609,672**	1,781,466
Trademarks (net of amortization: 2000 – $104,125 and 1999 – $84,672)	**674,279**	511,608
Other intangibles (net of amortization: 2000 – $147,343 and 1999 – $117,038)	**127,779**	177,290
Other non-current assets	**910,225**	525,468
Total other non-current assets	**3,321,955**	2,995,832
Total assets	**$8,850,657**	$8,053,634

See Notes to Consolidated Financial Statements.

Liabilities and Shareholders' Equity (Dollars in thousands)	***May 3, 2000***	*April 28, 1999*
CURRENT LIABILITIES:		
Short-term debt	**$ 151,168**	$ 290,841
Portion of long-term debt due within one year	**25,407**	613,366
Accounts payable	**1,026,960**	945,488
Salaries and wages	**48,646**	74,098
Accrued marketing	**200,775**	182,024
Accrued restructuring costs	**125,704**	147,786
Other accrued liabilities	**358,738**	372,623
Income taxes	**188,672**	160,096
Total current liabilities	**2,126,070**	2,786,322
LONG-TERM DEBT AND OTHER LIABILITIES:		
Long-term debt	**3,935,826**	2,472,206
Deferred income taxes	**271,831**	310,799
Non-pension postretirement benefits	**208,958**	208,102
Other	**712,116**	473,201
Total long-term debt and other liabilities	**5,128,731**	3,464,308
SHAREHOLDERS' EQUITY:		
Capital stock:		
Third cumulative preferred, $1.70 first series, $10 par value	**139**	173
Common stock, 431,096,485 shares issued, $0.25 par value	**107,774**	107,774
	107,913	107,947
Additional capital	**304,318**	277,652
Retained earnings	**4,756,513**	4,379,742
	5,168,744	4,765,341
Less:		
Treasury shares, at cost (83,653,233 shares at May 3, 2000 and 71,968,652 shares at April 28, 1999)	**2,920,471**	2,435,012
Unearned compensation relating to the ESOP	**7,652**	11,728
Accumulated other comprehensive loss	**644,765**	515,597
Total shareholders' equity	**1,595,856**	1,803,004
Total liabilities and shareholders' equity	**$8,850,657**	$8,053,634

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

H.J. Heinz Company and Subsidiaries

(Amounts in thousands, except per share amounts)	*Comprehensive Income*	*Preferred Stock Shares*	*Preferred Stock Dollars*	*Common Stock Shares*	*Common Stock Dollars*
Balance at April 30, 1997		24	$ 241	431,096	$ 107,774
Comprehensive income – 1998:					
Net income – 1998	$ 801,566				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $1,428 tax expense	2,433				
Unrealized translation adjustments	(180,284)				
Comprehensive income	$ 623,715				
Cash dividends: Preferred @ $1.70 per share					
Common @ $1.23½ per share					
Shares reacquired					
Conversion of preferred into common stock		(4)	(42)		
Stock options exercised, net of shares tendered for payment					
Unearned compensation relating to the ESOP					
Other, net					
Balance at April 29, 1998		20	199	431,096	107,774
Comprehensive income – 1999:					
Net income – 1999	$ 474,341				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $6,975 tax benefit	(11,880)				
Unrealized translation adjustments	(88,040)				
Comprehensive income	$ 374,421				
Cash dividends: Preferred @ $1.70 per share					
Common @ $1.34¼ per share					
Shares reacquired					
Conversion of preferred into common stock		(3)	(26)		
Stock options exercised, net of shares tendered for payment					
Unearned compensation relating to the ESOP					
Other, net					
Balance at April 28, 1999		17	173	431,096	107,774
Comprehensive income – 2000:					
Net income – 2000	**$ 890,553**				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $10,894 tax expense	**18,548**				
Unrealized translation adjustments	**(154,962)**				
Realized translation reclassification adjustment	**7,246**				
Comprehensive income	**$ 761,385**				
Cash dividends: Preferred @ $1.70 per share					
Common @ $1.44½ per share					
Shares reacquired					
Conversion of preferred into common stock		**(3)**	**(34)**		
Stock options exercised, net of shares tendered for payment					
Unearned compensation relating to the ESOP					
Other, net*					
Balance at May 3, 2000		**14**	**$139**	**431,096**	**$107,774**
Authorized Shares – May 3, 2000		**14**		**600,000**	

See Notes to Consolidated Financial Statements.
* *Includes activity of the Global Stock Purchase Plan.*

Additional Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Dollars	Unearned Compensation Relating to the ESOP	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
$ 175,811	$ 4,041,285	(63,912)	$ (1,629,501)	$ (17,363)	$ (237,826)	$ 2,440,421
	801,566					801,566
					(177,851)	(177,851)
	(37)					(37)
	(452,566)					(452,566)
		(13,559)	(677,193)			(677,193)
(1,322)		56	1,364			–
77,830†		9,717	200,860			278,690
				2,541		2,541
454		19	491			945
252,773	4,390,248	(67,679)	(2,103,979)	(14,822)	(415,677)	2,216,516
	474,341					474,341
					(99,920)	(99,920)
	(30)					(30)
	(484,817)					(484,817)
		(7,464)	(410,103)			(410,103)
(846)		34	872			–
25,658†		3,138	78,150			103,808
				3,094		3,094
67		2	48			115
277,652	4,379,742	(71,969)	(2,435,012)	(11,728)	(515,597)	1,803,004
	890,553					**890,553**
					(129,168)	**(129,168)**
	(26)					**(26)**
	(513,756)					**(513,756)**
		(12,766)	**(511,480)**			**(511,480)**
(1,136)		**46**	**1,170**			**–**
26,830†		**833**	**19,681**			**46,511**
				4,076		**4,076**
972		**203**	**5,170**			**6,142**
$304,318	**$4,756,513**	**(83,653)**	**$(2,920,471)**	**$ (7,652)**	**$(644,765)‡**	**$1,595,856**

† Includes income tax benefit resulting from exercised stock options.
‡ Comprised of unrealized translation adjustment of $(626,904) and minimum pension liability of $(17,861).

CONSOLIDATED STATEMENTS OF CASH FLOWS

H.J. Heinz Company and Subsidiaries

Fiscal year ended *(Dollars in thousands)*	***May 3, 2000*** ***(53 Weeks)***	*April 28, 1999* *(52 Weeks)*	*April 29, 1998* *(52 Weeks)*
OPERATING ACTIVITIES:			
Net income	**$ 890,553**	$ 474,341	$ 801,566
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	**219,255**	207,852	222,492
Amortization	**87,228**	94,360	91,130
Deferred tax provision	**28,331**	23,564	120,875
Gain on sale of Weight Watchers	**(464,617)**	–	–
Gain on sale of bakery products unit	**–**	(5,717)	–
Gain on sale of Ore-Ida frozen foodservice business	**–**	–	(96,563)
Provision for restructuring	**392,720**	527,107	–
Other items, net	**48,905**	(43,147)	(126,805)
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	**(123,994)**	(88,742)	(7,155)
Inventories	**(217,127)**	(115,743)	47,917
Prepaid expenses and other current assets	**(23,296)**	2,604	4,874
Accounts payable	**111,976**	3,410	54,345
Accrued liabilities	**(372,999)**	(150,533)	(131,400)
Income taxes	**(33,860)**	(19,220)	84,468
Cash provided by operating activities	**543,075**	910,136	1,065,744
INVESTING ACTIVITIES:			
Capital expenditures	**(452,444)**	(316,723)	(373,754)
Acquisitions, net of cash acquired	**(394,418)**	(268,951)	(142,112)
Proceeds from divestitures	**726,493**	180,400	494,739
Purchases of short-term investments	**(1,175,538)**	(915,596)	(1,179,024)
Sales and maturities of short-term investments	**1,119,809**	883,945	1,216,573
Investment in The Hain Celestial Group, Inc.	**(99,764)**	–	–
Other items, net	**7,188**	46,396	10,740
Cash (used for) provided by investing activities	**(268,674)**	(390,529)	27,162
FINANCING ACTIVITIES:			
Proceeds from long-term debt	**834,328**	259,593	555,017
Payments on long-term debt	**(627,498)**	(65,744)	(572,905)
Proceeds from (payments on) commercial paper and short-term borrowings, net	**532,305**	74,464	(288,346)
Dividends	**(513,782)**	(484,847)	(452,603)
Purchase of treasury stock	**(511,480)**	(410,103)	(677,193)
Exercise of stock options	**20,027**	77,158	200,972
Other items, net	**6,937**	33,989	88,457
Cash used for financing activities	**(259,163)**	(515,490)	(1,146,601)
Effect of exchange rate changes on cash and cash equivalents	**6,397**	15,565	(6,991)
Net increase (decrease) in cash and cash equivalents	**21,635**	19,682	(60,686)
Cash and cash equivalents at beginning of year	**115,982**	96,300	156,986
Cash and cash equivalents at end of year	**$ 137,617**	$ 115,982	$ 96,300

See Notes to Consolidated Financial Statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year: H.J. Heinz Company (the "company") operates on a 52- or 53-week fiscal year ending the Wednesday nearest April 30. However, certain foreign subsidiaries have earlier closing dates to facilitate timely reporting. Fiscal years for the financial statements included herein ended May 3, 2000, April 28, 1999 and April 29, 1998.

Principles of Consolidation: The consolidated financial statements include the accounts of the company and its subsidiaries. All intercompany accounts and transactions were eliminated. Investments owned less than 50%, where significant influence exists, are accounted for on an equity basis. Certain prior-year amounts have been reclassified in order to conform with the Fiscal 2000 presentation.

Use of Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Translation of Foreign Currencies: For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

Cash Equivalents: Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

Property, Plant and Equipment: Land, buildings and equipment are recorded at cost. For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

Intangibles: Goodwill, trademarks and other intangibles arising from acquisitions are being amortized on a straight-line basis over periods ranging from three to 40 years. The company regularly reviews the individual components of the balances by evaluating the future cash flows of the businesses to determine the recoverability of the assets and recognizes, on a current basis, any diminution in value.

Revenue Recognition: The company generally recognizes revenue upon shipment of goods to customers or upon performance of services. However, in certain overseas countries, revenue is recognized upon receipt of the product by the customer.

Advertising Expenses: Advertising costs are generally expensed in the year in which the advertising first takes place.

Income Taxes: Deferred income taxes result primarily from temporary differences between financial and tax reporting. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

The company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes. In cases where they will not offset U.S. income taxes, appropriate provisions are included in the Consolidated Statements of Income.

Stock-Based Employee Compensation Plans: Stock-based compensation is accounted for by using the intrinsic value-based method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Financial Instruments: The company uses derivative financial instruments for the purpose of hedging currency, price and interest rate exposures which exist as part of ongoing business operations. As a policy, the company does not engage in speculative or leveraged transactions, nor does the company hold or issue financial instruments for trading purposes.

□ *Interest Rate Swap Agreements:* The company may utilize interest rate swap agreements to lower funding costs or to alter interest rate exposure. Amounts paid or received on interest rate swap agreements are deferred and recognized as adjustments to interest expense. Gains and losses realized upon the settlement of such contracts are deferred and amortized to interest expense over the remaining term of the debt instrument or are recognized immediately if the underlying instrument is settled.

□ *Foreign Currency Contracts:* The company enters into forward, purchased option and swap contracts to hedge transactions denominated in foreign currencies in order to reduce the currency risk associated with fluctuating exchange rates. Such contracts are used primarily to hedge certain intercompany cash flows, purchases and sales of certain raw materials and finished goods and for payments arising from certain foreign currency denominated obligations. Realized and unrealized gains and losses from instruments qualifying as hedges are deferred as part of the cost basis of the underlying transaction. Realized and unrealized gains and losses from foreign currency contracts used as economic hedges but not qualifying for hedge accounting are recognized currently in miscellaneous income and expense.

□ *Commodity Contracts:* In connection with purchasing certain commodities for future manufacturing requirements, the company enters into commodities futures and option contracts, as deemed appropriate, to reduce the effect of price fluctuations. Such contracts are accounted for as hedges, with gains and losses recognized as part of cost of products sold, and generally have a term of less than one year.

The cash flows related to the above financial instruments are classified in the Statements of Cash Flows in a manner consistent with those of the transactions being hedged.

Recently Issued Accounting Standards: In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FAS Statement 133," which postponed the adoption date of SFAS No. 133. As such, the company is not required to adopt the statement until Fiscal 2002. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an Amendment of FASB Statement No. 133." This statement amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. The company is currently evaluating the effect that implementation of the new standard will have on its results of operations and financial position.

In May 2000, the FASB Emerging Issues Task Force (the "EITF") issued new guidelines entitled "Accounting for Certain Sales Incentives" which address the recognition, measurement and income statement classification for certain sales incentives (e.g., coupons). These guidelines will be effective for the company beginning in the second quarter of Fiscal 2001. The implementation of these guidelines will require the company to make reclassifications between selling, general and administrative expenses ("SG&A") and sales.

In December 1999, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. Management believes that the impact of SAB No. 101, which will be effective in the fourth quarter of Fiscal 2001, will not have a material effect on its financial position or results of operations.

2. ACQUISITIONS

All of the following acquisitions have been accounted for as purchases and, accordingly, the respective purchase prices have been allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. Operating results of businesses acquired have been included in the Consolidated Statements of Income from the respective acquisition dates forward. Pro forma results of the company, assuming all of the following acquisitions had been made at the beginning of each period presented, would not be materially different from the results reported.

Fiscal 2000: The company acquired businesses for a total of $404.9 million, including obligations to sellers of $10.4 million. The preliminary allocations of the purchase price resulted in goodwill of $153.4 million and trademarks and other intangible assets of $134.8 million, which are being amortized on a straight-line basis over periods not exceeding 40 years. Final allocation of the purchase price is not expected to differ significantly from the preliminary allocations and is expected to be completed in Fiscal 2001.

On December 7, 1999, the company completed the acquisition of United Biscuit's European Frozen and Chilled Division, one of the leading frozen food businesses in the U.K. and Ireland, which produces frozen desserts and vegetarian/meat-free products, frozen pizzas, frozen value-added potato products and fresh sandwiches. Also during Fiscal 2000, the

company completed the acquisition of Quality Chef Foods, a leading manufacturer of frozen heat-and-serve soups, entrées and sauces; *Yoshida*, a line of Asian sauces marketed in the U.S.; Thermo Pac, Inc., a U.S. leader in single-serve condiments; and obtained a 51% share of Remedia Limited, Israel's leading company in infant nutrition. The company also made other smaller acquisitions during the year.

Fiscal 1999: The company acquired businesses for a total of $317.3 million, including obligations to sellers of $48.4 million. The allocations of the purchase price resulted in goodwill of $99.7 million and trademarks and other intangible assets of $215.0 million, which are being amortized on a straight-line basis over periods not exceeding 40 years.

Acquisitions made during Fiscal 1999 include: the *College Inn* brand of canned broths and *ABC* Sauces in Indonesia, a leading provider of ketchup, sauces and condiments. The company also made other smaller acquisitions during the year.

Fiscal 1998: The company acquired businesses for a total of $142.1 million. The allocations of the purchase price resulted in goodwill of $65.1 million and trademarks and other intangible assets of $27.2 million, which are being amortized on a straight-line basis over periods not exceeding 40 years.

On June 30, 1997, the company acquired John West Foods Limited, the leading brand of canned tuna and fish in the U.K. Based in Liverpool, John West Foods Limited sells its canned fish products throughout Continental Europe and in a number of other international markets. (John West operations in Australia, New Zealand and South Africa were not included in the transaction.) During Fiscal 1998, the company also made other acquisitions, primarily in the Asia/Pacific region, Europe and South Africa.

3. DIVESTITURES

On September 29, 1999, the company completed the sale of the *Weight Watchers* classroom business for $735 million, which included $25 million of preferred stock. The transaction resulted in a pretax gain of $464.6 million ($0.72 per share). The company used a portion of the proceeds to retain a 6% equity interest in Weight Watchers International, Inc. The sale did not include *Weight Watchers Smart Ones* frozen meals, desserts and breakfast items, *Weight Watchers from Heinz* in the U.K. and a broad range of other *Weight Watchers* branded foods in Heinz's global core product categories. The *Weight Watchers* classroom business contributed approximately $400 million in sales for Fiscal 1999. During Fiscal 2000, the company also made other smaller divestitures.

On October 2, 1998, the company completed the sale of its bakery products unit for $178.0 million. The transaction resulted in a pretax gain of $5.7 million, which was recorded in SG&A. The bakery products unit contributed approximately $200 million in sales for Fiscal 1998.

On June 30, 1997, the company completed the sale of its *Ore-Ida* frozen foodservice business. The transaction resulted in a pretax gain of approximately $96.6 million ($0.14 per share), and was recorded in SG&A. The transaction included the sale of the company's *Ore-Ida* appetizer, pasta and potato foodservice business and five of the Ore-Ida plants that manufacture the products. The *Ore-Ida* frozen foodservice business contributed approximately $525 million in net sales for Fiscal 1997.

Pro forma results of the company, assuming all of the above divestitures had been made at the beginning of each period presented, would not be materially different from the results reported.

4. RESTRUCTURING CHARGES

Operation Excel

In Fiscal 1999, the company announced a transformative growth and restructuring initiative. The initiative, named "Operation Excel," is a multi-year, multi-faceted program creating manufacturing centers of excellence, focusing the product portfolio, realigning the company's management teams and investing in growth initiatives.

Creating manufacturing centers of excellence is resulting in significant changes to the company's manufacturing footprint including the following initiatives: closing the Harlesden factory in London, England and focusing the Kitt Green factory in Wigan, England on canned beans, soups and pasta production and focusing the Elst factory in the Netherlands on tomato ketchup and sauces; downsizing the Puerto Rico tuna processing facility and focusing this facility on lower volume/higher margin products (completed in Fiscal 2000); focusing the Pittsburgh, Pennsylvania factory on soup and baby food production and shifting other production to existing facilities; consolidating manufacturing capacity in the Asia/Pacific region; closing the Zabreh, Czech Republic factory and disposing of the Czech dairy business and transferring the infant formula business to the Kendal, England factory (completed in Fiscal 2000); downsizing the Pocatello, Idaho factory by shifting *Bagel Bites* production to the Ft. Myers, Florida factory, and shifting certain *Smart Ones* entrée production to the Massillon, Ohio factory (completed in Fiscal 2000); closing the Redditch, England factory and shifting production to the Telford, England factory and the Turnhout factory in Belgium (completed in Fiscal 2000); closing the El Paso, Texas pet treat facility and consolidating production in the Topeka, Kansas factory; and disposing of the Bloomsburg, Pennsylvania frozen pasta factory (completed in Fiscal 2000).

As part of Operation Excel, the company is focusing the portfolio of product lines on six core food categories: ketchup, condiments and sauces; frozen foods; tuna; soup, beans and pasta meals; infant foods; and pet products. A consequence of this focus on the core categories was the sale of the *Weight Watchers* classroom business in Fiscal 2000.

Additionally, seven other smaller businesses, which have combined annual revenues of approximately $80 million, are being disposed.

Realigning the company's management teams will provide processing and product expertise across the regions of North America, Europe and Asia/Pacific. Specifically, Operation Excel includes creating a single U.S. frozen food headquarters, resulting in the closure of the company's Ore-Ida head office in Boise, Idaho (completed in Fiscal 2000); consolidating many European administrative support functions; creating a single North American Grocery & Foodservice headquarters in Pittsburgh, Pennsylvania, resulting in the relocation of the company's domestic seafood and pet food headquarters from Newport, Kentucky; and creating two Asia/Pacific management teams with headquarters in Melbourne (for the Australian, New Zealand and Japanese businesses) and Singapore (for all other Asian businesses).

The initiatives will result in the closure or exit of 21 factories or businesses. Management estimates that these actions will impact approximately 6,000 employees with a net reduction in the workforce of approximately 4,600, after expansion of certain facilities.

During Fiscal 2000, the company recognized net restructuring charges and implementation costs totaling $392.7 million pretax ($0.74 per share). Pretax charges of $170.4 million were classified as cost of products sold and $222.3 million as SG&A. During Fiscal 1999, the company recognized restructuring charges and implementation costs totaling $552.8 million pretax ($1.11 per share). Pretax charges of $396.4 million were classified as cost of products sold and $156.4 million as SG&A.

Included in the $392.7 million of net restructuring and implementation costs recognized in Fiscal 2000 is a reversal of $18.2 million pretax of Fiscal 1999 restructuring accruals (exit costs, $0.4 million and severance costs, $1.3 million) and asset write-downs ($16.5 million), primarily for the closure of the West Chester, Pennsylvania facility, which will now remain in operation as a result of the sale of the Bloomsburg facility in April of Fiscal 2000.

The major components of the restructuring charges and implementation costs and the remaining accrual balances as of May 3, 2000 and April 28, 1999 were as follows:

(Dollars in millions)	*Non-Cash Asset Write-Downs*	*Employee Termination and Severance Costs*	*Accrued Exit Costs*	*Implementation Costs*	*Total*
Restructuring and implementation costs – 1999	$ 294.9	$ 159.4	$ 45.3	$ 53.2	$ 552.8
Amounts utilized – 1999	(294.9)	(67.3)	(9.8)	(53.2)	(425.2)
Accrued restructuring costs – April 28, 1999	–	92.1	35.5	–	127.6
Net restructuring and implementation costs – 2000	**61.6**	**84.5**	**30.1**	**216.5**	**392.7**
Amounts utilized – 2000	**(61.6)**	**(86.3)**	**(30.7)**	**(216.5)**	**(395.1)**
Accrued restructuring costs – May 3, 2000	**$ –**	**$ 90.3**	**$ 34.9**	**$ –**	**$ 125.2**

Non-cash asset write-downs consisted primarily of long-term asset impairments that were recorded as a direct result of the company's decision to exit businesses or facilities. Non-cash asset write-downs totaled $61.6 million in Fiscal 2000 and related to property, plant and equipment ($48.7 million) and current assets ($12.9 million). In Fiscal 1999, non-cash asset write-downs consisted of property, plant and equipment ($210.9 million), goodwill and other intangibles ($49.6 million) and current assets ($34.5 million). Long-term asset write-downs were based on third-party appraisals, contracted sales prices or management's estimate of salvage value. The carrying value of these long-term assets was approximately $30 million at May 3, 2000 and $50 million at April 28, 1999. These assets will be sold or removed from service within 12 months. Once the assets are removed from service, the company will actively market these assets for sale. The results of operations, related to these assets, including the effect of reduced depreciation were not material. Current asset write-downs included inventory and packaging material, prepaids and other current assets and were determined based on management's estimate of net realizable value.

Severance charges are primarily related to involuntary terminations and represent cash termination payments to be paid to affected employees as a direct result of the restructuring program. Non-cash pension and postretirement benefit charges related to the approved projects are also included as a component of total severance costs ($27.8 million and $60.5 million in Fiscal 2000 and Fiscal 1999, respectively).

Exit costs are primarily related to contract and lease termination costs ($12.0 million in Fiscal 2000 and $35.0 million in Fiscal 1999).

Implementation costs were recognized as incurred in Fiscal 2000 ($216.5 million) and Fiscal 1999 ($53.2 million) and consist of incremental costs directly related to the implementation of Operation Excel, including consulting fees, employee relocation costs, unaccruable severance costs associated with terminated employees, training costs, equipment relocation costs and commissioning costs.

In Fiscal 2000, 11 factories and four businesses were sold or closed including those located in England, Hungary, the Czech Republic, New Zealand and the U.S., resulting in a net reduction of the company's workforce of approximately 3,000 employees. During Fiscal 1999, the company's workforce was reduced by approximately 200 employees, principally through the closure of Ore-Ida's Boise head office and through the divestiture of the Clarksville, Arkansas sweet potato business.

Project Millennia

During the fourth quarter of Fiscal 1997, the company announced a reorganization and restructuring program named "Project Millennia," which resulted in a total cost of approximately $750 million over three years. The reorganization plan was designed to strengthen the company's core businesses and improve profitability and global growth. Key initiatives were focused on process changes and product line rationalizations.

The major components of the restructuring charges and implementation costs and the accrual balances as of May 3, 2000, April 28, 1999, April 29, 1998 and April 30, 1997 were as follows:

(Dollars in millions)	*Non-Cash Asset Write-Downs*	*Employee Termination and Severance Costs*	*Exit Costs: Accrued Exit Costs*	*Exit Costs: Implementation Costs*	*Total*
Restructuring and implementation costs – 1997	$ 324.3	$ 164.5	$ 94.3	$ 64.1	$ 647.2
Amounts utilized – 1997	(324.3)	(32.1)	(15.9)	(64.1)	(436.4)
Accrued restructuring costs – April 30, 1997	–	132.4	78.4	—	210.8
Implementation costs – 1998	–	–	–	84.1	84.1
Amounts utilized – 1998	–	(91.9)	(24.5)	(84.1)	(200.5)
Accrued restructuring costs – April 29, 1998	–	40.5	53.9	–	94.4
Implementation costs – 1999	–	–	–	22.3	22.3
Amounts utilized – 1999	–	(28.7)	(19.9)	(22.3)	(70.9)
Accrual reversal – 1999	–	(9.1)	(16.6)	–	(25.7)
Accrued restructuring costs – April 28, 1999	–	2.7	17.4	–	20.1
Amounts utilized – 2000	**–**	**(2.7)**	**(16.9)**	**–**	**(19.6)**
Accrued restructuring costs – May 3, 2000	**$ –**	**$ –**	**$ 0.5**	**$ –**	**$ 0.5**

The company has completed the implementation of Project Millennia. During Fiscal 2000, the company utilized $19.6 million of severance and exit accruals. The utilization of the accruals related principally to the closure of a tuna processing facility in Australia, the closure of a tomato processing facility in Spain and costs associated with contractual lease commitments of the U.S. *Weight Watchers* classroom business, which were transferred to the buyer of the classroom business.

As of May 3, 2000, the company has closed or divested all of the 25 plants that were scheduled for closure or divestiture. Project Millennia has resulted in a net workforce reduction of 2,250 employees.

As of May 3, 2000, there are $0.5 million of remaining Project Millennia accruals. These accruals relate to contractual lease commitments in the U.S.

5. INCOME TAXES

The following table summarizes the provision/(benefit) for U.S. federal and U.S. possessions, state and foreign taxes on income.

(Dollars in thousands)	**2000**	*1999*	*1998*
Current:			
U.S. federal and U.S. possessions	**$318,873**	$110,490	$214,866
State	**45,935**	15,389	17,667
Foreign	**179,984**	211,347	100,007
	544,792	337,226	332,540
Deferred:			
U.S. federal and U.S. possessions	**71,602**	66,944	103,630
State	**(1,871)**	2,441	1,536
Foreign	**(41,400)**	(45,821)	15,709
	28,331	23,564	120,875
Total tax provision	**$573,123**	$360,790	$453,415

The Fiscal 2000 effective tax rate was unfavorably impacted by the excess of basis in assets for financial reporting over the tax basis of assets included in the *Weight Watchers* sale and by gains in higher taxed states related to the sale. Tax expense related to the pretax gain of $464.6 million was $204.9 million. The Fiscal 2000 and Fiscal 1999 effective tax rates were unfavorably impacted by restructuring and implementation costs expected to be realized in lower tax rate jurisdictions and by nondeductible expenses related to the restructuring. Tax benefit related to the $392.7 million of Operation Excel net restructuring and implementation costs for Fiscal 2000 was $125.3 million. Tax benefit related to the $552.8 million of Operation Excel restructuring and implementation costs for 1999 was $143.1 million. In Fiscal 1998, reduced tax rates enacted in the U.K. and Italy decreased the tax provision by $21.6 million, representing the impact of the reduced tax rates on net deferred taxes payable as of the dates of enactment. Tax expense resulting from allocating certain tax benefits directly to additional capital was immaterial in Fiscal 2000. In Fiscal 1999 it was $26.6 million, and in Fiscal 1998 it was $77.7 million.

The components of income before income taxes consist of the following:

(Dollars in thousands)	**2000**	*1999*	*1998*
Domestic	**$ 805,464**	$427,089	$ 742,665
Foreign	**658,212**	408,042	512,316
Total income before income taxes	**$1,463,676**	$835,131	$1,254,981

The differences between the U.S. federal statutory tax rate and the company's consolidated effective tax rate are as follows:

	2000	*1999*	*1998*
U.S. federal statutory tax rate	**35.0%**	35.0%	35.0%
Tax on income of foreign subsidiaries	**(1.1)**	1.3	(0.9)
State income taxes (net of federal benefit)	**1.9**	1.5	1.1
Earnings repatriation	**1.7**	(0.3)	(0.2)
Effect of foreign losses	**1.4**	3.8	–
Tax on income of U.S. possessions subsidiaries	**(1.4)**	0.6	(1.3)
Other	**1.7**	1.3	2.4
Effective tax rate	**39.2%**	43.2%	36.1%

The deferred tax (assets) and deferred tax liabilities recorded on the balance sheets as of May 3, 2000 and April 28, 1999 are as follows:

(Dollars in thousands)	***2000***	*1999*
Depreciation/amortization	**$ 416,453**	$ 429,101
Benefit plans	**48,180**	70,006
Other	**63,626**	57,925
	528,259	557,032
Provision for estimated expenses	**(105,375)**	(148,519)
Operating loss carryforwards	**(37,813)**	(37,104)
Benefit plans	**(115,007)**	(122,007)
Tax credit carryforwards	**(44,911)**	(10,573)
Other	**(131,086)**	(98,674)
	(434,192)	(416,877)
Valuation allowance	**75,109**	40,811
Net deferred tax liabilities	**$ 169,176**	$ 180,966

At the end of Fiscal 2000, net operating loss carryforwards totaled $81.1 million. Of that amount, $20.5 million expire through 2010; the other $60.6 million do not expire. Foreign tax credit carryforwards total $44.9 million and expire through 2005.

The company's consolidated U.S. income tax returns have been audited by the Internal Revenue Service for all years through 1994.

Undistributed earnings of foreign subsidiaries considered to be reinvested permanently amounted to $2.25 billion at May 3, 2000.

The Fiscal 2000 net change in the valuation allowance for deferred tax assets was an increase of $34.3 million, due principally to additional deferred tax asset related to foreign tax credit carryforward.

During the first quarter of Fiscal 2000, the company reorganized certain of its foreign operations, and, as a result, expects to pay approximately $320 million in foreign income taxes through Fiscal 2005. Because the company increased tax basis in amortizable assets at the same time, cash flow related to the reorganization is expected to be neutral over the payment period.

6. DEBT

Short-term debt consisted of bank and other borrowings of $151.2 million and $290.8 million as of May 3, 2000 and April 28, 1999, respectively. Total short-term debt had a weighted-average interest rate during Fiscal 2000 of 6.2% and at year-end of 6.5%. The weighted-average interest rate on short-term debt during Fiscal 1999 was 6.3% and at year-end was 5.3%.

The company maintains a $2.30 billion credit agreement that supports its domestic commercial paper program. The credit agreement expires in September 2001. In addition, the company had $760.3 million of foreign lines of credit available at year-end.

As of May 3, 2000 and April 28, 1999, the company had $2.08 billion and $1.41 billion, respectively, of domestic commercial paper outstanding. Due to the long-term nature of the credit agreement, all of the outstanding domestic commercial paper has been classified as long-term debt as of May 3, 2000 and April 28, 1999. Aggregate domestic commercial paper

had a weighted-average interest rate during Fiscal 2000 of 5.5% and at year-end of 6.2%. In Fiscal 1999, the weighted-average rate was 5.3% and at year-end was 4.9%.

Long-Term (Dollars in thousands)	*Range of Interest*	*Maturity (Fiscal Year)*	**2000**	*1999*
United States Dollars:				
Commercial paper	Variable	2002	**$2,084,175**	$1,406,131
Senior unsecured notes and debentures	6.00–6.88%	2001–2029	**740,537**	1,040,013
Eurodollar notes	5.75–7.00	2002–2003	**548,463**	499,089
Revenue bonds	3.40–7.70	2001–2027	**14,892**	15,092
Promissory notes	3.00–10.00	2001–2005	**20,967**	67,397
Other	6.50	2001–2020	**12,287**	5,860
			3,421,321	3,033,582
Foreign Currencies				
(*U.S. Dollar Equivalents*):				
Promissory notes:				
Pound sterling	5.67–8.86%	2001–2030	**235,388**	10,230
Euro	5.00	2005	**268,674**	–
Italian lire	3.90–6.53	2001–2008	**1,422**	7,377
Australian dollar	6.10	2001–2002	**6,152**	13,421
Other	5.00–24.00	2001–2022	**28,276**	20,962
			539,912	51,990
Total long-term debt			**3,961,233**	3,085,572
Less portion due within one year			**25,407**	613,366
			$3,935,826	$2,472,206

The amount of long-term debt that matures in each of the four years succeeding 2001 is: $2,404.8 million in 2002, $467.0 million in 2003, $7.7 million in 2004 and $279.7 million in 2005.

On January 5, 2000, the company issued €300 million of 5% Notes due 2005. The proceeds were used to repay domestic commercial paper. On February 15, 2000, the company issued $300 million of 7.0% Notes due 2002. The proceeds were used to repay domestic commercial paper. On February 18, 2000, the company issued £125 million of 6.25% Notes due 2030. The proceeds were used for general corporate purposes, including repaying commercial paper borrowings that were incurred in connection with the acquisition of United Biscuit's European Frozen and Chilled Division in December 1999. The company entered into an interest rate swap agreement with a notional amount of £50 million and a settlement date of April 2001. This swap converts the 6.25% fixed rate to a floating rate.

On July 15, 1998, the company issued $250 million of 6.375% Debentures due July 2028. The proceeds were used to repay domestic commercial paper.

7. SHAREHOLDERS' EQUITY

Capital Stock: The preferred stock outstanding is convertible at a rate of one share of preferred stock into 13.5 shares of common stock. The company can redeem the stock at $28.50 per share.

As of May 3, 2000, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

Employee Stock Ownership Plan ("ESOP"): The company established an ESOP in 1990 to replace in full or in part the company's cash-matching contributions to the H.J. Heinz Company Employees Retirement and Savings Plan, a 401(k) plan for salaried employees. Matching contributions to the 401(k) plan are based on a percentage of the participants' contributions, subject to certain limitations.

Global Stock Purchase Plan ("GSPP"): On September 8, 1999, the stockholders authorized a GSPP, which qualifies under Internal Revenue Code Section 423, and provides for the purchase by employees of up to 3,000,000 shares of the company's stock through payroll deductions. Employees who choose to participate in the plan will receive an option to acquire common stock at a discount. The purchase price per share will be the lower of 85% of the fair market value of the company's stock on the first or last day of a purchase period. During Fiscal 2000, employees purchased 173,326 shares under this plan.

Cumulative Translation Adjustments: Changes in the cumulative translation component of shareholders' equity result principally from translation of financial statements of foreign subsidiaries into U.S. dollars. The reduction in shareholders' equity related to the translation component increased $147.7 million in 2000, $88.0 million in 1999 and $180.3 million in 1998. During Fiscal 2000, a loss of $7.2 million was transferred from the cumulative translation component of shareholders' equity and included in the determination of net income.

Unfunded Pension Obligation: An adjustment for unfunded foreign pension obligations in excess of unamortized prior service costs was recorded, net of tax, as a reduction in shareholders' equity.

8. SUPPLEMENTAL CASH FLOWS INFORMATION

(Dollars in thousands)	**2000**	1999	1998
Cash Paid During the Year For:			
Interest	**$273,506**	$266,395	$300,173
Income taxes	**485,267**	287,544	188,567
Details of Acquisitions:			
Fair value of assets	**$563,376**	$350,575	$200,406
Liabilities*	**166,699**	80,055	47,912
Cash paid	**396,677**	270,520	152,494
Less cash acquired	**2,259**	1,569	10,382
Net cash paid for acquisitions	**$394,418**	$268,951	$142,112

* *Includes obligations to sellers of $10.4 million and $48.4 million in 2000 and 1999, respectively.*

9. EMPLOYEES' STOCK OPTION PLANS AND MANAGEMENT INCENTIVE PLANS

Under the company's stock option plans, officers and other key employees may be granted options to purchase shares of the company's common stock. Generally, the option price on outstanding options is equal to the fair market value of the stock at the date of grant. Options are generally exercisable beginning from one to three years after date of grant and have a maximum term of 10 years. Beginning in Fiscal 1998, in order to place greater emphasis on creation of shareholder value, performance-accelerated stock options were granted to certain key executives. These options vest eight years after the grant date, subject to acceleration if predetermined share price goals are achieved.

The company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the company's stock option plans. If the company had elected to recognize compensation cost

based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts indicated below:

Fiscal year ended *(Dollars in thousands, except per share amounts)*	***May 3, 2000* *(53 Weeks)***	*April 28, 1999* *(52 Weeks)*	*April 29, 1998* *(52 Weeks)*
Pro forma net income	**$862,698**	$440,080	$790,325
Pro forma diluted net income per common share	**$ 2.40**	$ 1.20	$ 2.12
Pro forma basic net income per common share	**$ 2.43**	$ 1.22	$ 2.16

The pro forma effect on net income for Fiscal 2000, Fiscal 1999 and Fiscal 1998 is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1996.

The weighted-average fair value of options granted was $8.98 per share in Fiscal 2000, $11.34 per share in Fiscal 1999 and $12.45 per share in Fiscal 1998.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000	*1999*	*1998*
Dividend yield	**3.5%**	2.5%	2.5%
Volatility	**24.0%**	22.0%	20.0%
Risk-free interest rate	**6.1%**	5.3%	5.8%
Expected term (years)	**5.0**	4.9	5.5

Data regarding the company's stock option plans follows:

	Shares	*Weighted-Average Exercise Price Per Share*
Shares under option April 30, 1997	33,074,848	$ 26.34
Options granted	2,990,000	53.76
Options exercised	(10,283,073)	22.40
Options surrendered	(181,000)	34.22
Shares under option April 29, 1998	25,600,775	$ 31.07
Options granted	8,979,200	53.07
Options exercised	(3,138,445)	24.59
Options surrendered	(924,300)	40.11
Shares under option April 28, 1999	30,517,230	$ 37.94
Options granted	**347,000**	**41.40**
Options exercised	**(858,283)**	**24.81**
Options surrendered	**(287,665)**	**44.70**
Shares under option May 3, 2000	**29,718,282**	**$38.29**
Options exercisable at:		
April 29, 1998	14,397,175	$ 24.70
April 28, 1999	13,507,295	27.60
May 3, 2000	**16,430,099**	**31.43**

The following summarizes information about shares under option in the respective exercise price ranges at May 3, 2000:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Price Per Share	*Number Outstanding*	*Weighted-Average Remaining Life (Years)*	*Weighted-Average Exercise Price Per Share*	*Number Exercisable*	*Weighted-Average Exercise Price Per Share*
$21.75–33.88	15,536,049	4.42	$27.00	12,902,472	$25.99
36.75–48.38	3,591,333	7.01	41.13	1,079,967	39.54
49.31–59.94	10,590,900	8.41	53.88	2,447,660	56.49
	29,718,282			16,430,099	

The shares authorized but not granted under the company's stock option plans were 393,000 at May 3, 2000 and 452,335 at April 28, 1999. Common stock reserved for options totaled 30,111,282 at May 3, 2000 and 30,969,565 at April 28, 1999.

The company's management incentive plan covers officers and other key employees. Participants may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Compensation under the management incentive plans was approximately $44 million in Fiscal 2000, $47 million in Fiscal 1999 and $46 million in Fiscal 1998.

10. RETIREMENT PLANS

The company maintains retirement plans for the majority of its employees. Current defined benefit plans are provided primarily for domestic union and foreign employees. Defined contribution plans are provided for the majority of its domestic non-union hourly and salaried employees.

Total pension cost consisted of the following:

(Dollars in thousands)	***2000***	*1999*	*1998*
Components of defined benefit net periodic benefit cost:			
Service cost	**$ 27,352**	$ 23,617	$ 21,038
Interest cost	**84,096**	82,958	83,005
Expected return on assets	**(121,735)**	(109,490)	(103,421)
Amortization of:			
Net initial asset	**(3,629)**	(3,632)	(4,333)
Prior service cost	**8,067**	8,026	8,466
Net actuarial loss/(gain)	**1,931**	(3,752)	(10,307)
Loss due to curtailment, settlement and special termination benefits	**27,908**	60,485	6,482
Net periodic benefit cost	**23,990**	58,212	930
Defined contribution plans (excluding the ESOP)	**20,558**	23,980	23,571
Total pension cost	**$ 44,548**	$ 82,192	$ 24,501

The following table sets forth the funded status of the company's principal defined benefit plans at May 3, 2000 and April 28, 1999.

(Dollars in thousands)	***2000***	*1999*
Change in Benefit Obligation:		
Benefit obligation at the beginning of the year	**$1,387,043**	$1,270,521
Service cost	**27,352**	23,617
Interest cost	**84,096**	82,958
Participants' contributions	**6,895**	7,044
Amendments	**20,505**	18,625
Actuarial (gain)/loss	**(34,023)**	102,361
Curtailment gain	**(939)**	(867)
Settlement	**(15,976)**	(36,751)
Special termination benefits	**19,234**	31,581
Benefits paid	**(86,013)**	(86,615)
Acquisition	**78,729**	–
Exchange	**(29,493)**	(25,431)
Benefit obligation at the end of the year	**1,457,410**	1,387,043
Change in Plan Assets:		
Fair value of plan assets at the beginning of the year	**1,440,357**	1,444,080
Actual return on plan assets	**207,616**	105,296
Settlement	**(15,976)**	(36,751)
Employer contribution	**38,632**	34,701
Participants' contributions	**6,895**	7,044
Benefits paid	**(86,013)**	(86,615)
Acquisition	**102,396**	–
Exchange	**(36,483)**	(27,398)
Fair value of plan assets at the end of the year	**1,657,424**	1,440,357
Funded status	**200,014**	53,314
Unamortized prior service cost	**85,795**	75,770
Unamortized net actuarial (gain)/loss	**(35,529)**	95,994
Unamortized net initial asset	**(7,434)**	(11,501)
Net amount recognized	**242,846**	213,577
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	**257,633**	221,823
Accrued benefit liability	**(46,537)**	(69,226)
Intangible asset	**3,402**	3,189
Accumulated other comprehensive loss	**28,348**	57,791
Net amount recognized	**$ 242,846**	$ 213,577

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $263.4 million, $231.3 million and $184.8 million, respectively, as of May 3, 2000 and $278.8 million, $237.5 million and $168.3 million, respectively, as of April 28, 1999.

The weighted-average rates used for the years ended May 3, 2000, April 28, 1999 and April 29, 1998 in determining the net pension costs and projected benefit obligations for defined benefit plans were as follows:

	2000	1999	1998
Expected rate of return	**9.5%**	9.5%	9.6%
Discount rate	**6.8%**	6.3%	6.9%
Compensation increase rate	**4.6%**	4.7%	4.9%

11. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The company and certain of its subsidiaries provide health care and life insurance benefits for retired employees and their eligible dependents. Certain of the company's U.S. and Canadian employees may become eligible for such benefits. The company currently does not fund these benefit arrangements and may modify plan provisions or terminate plans at its discretion.

Net postretirement costs consisted of the following:

(Dollars in thousands)	**2000**	1999	1998
Components of defined benefit net periodic benefit cost:			
Service cost	**$ 3,903**	$ 3,603	$ 3,339
Interest cost	**10,475**	10,483	11,280
Amortization of:			
Prior service cost	**(655)**	(649)	(5,633)
Net actuarial gain	**(3,144)**	(3,430)	(3,664)
Loss due to curtailment and special termination benefits	**1,536**	3,732	1,085
Net periodic benefit cost	**$12,115**	$13,739	$ 6,407

The following table sets forth the combined status of the company's postretirement benefit plans at May 3, 2000 and April 28, 1999.

(Dollars in thousands)	**2000**	1999
Change in benefit obligation:		
Benefit obligation at the beginning of the year	**$ 158,488**	$ 157,975
Service cost	**3,903**	3,603
Interest cost	**10,475**	10,483
Participants' contributions	**889**	858
Actuarial loss/(gain)	**6,644**	(3,688)
Curtailment	**(154)**	–
Special termination benefits	**1,389**	2,779
Benefits paid	**(11,864)**	(12,709)
Exchange	**(220)**	(813)
Benefit obligation at the end of the year	**169,550**	158,488
Funded status	**(169,550)**	(158,488)
Unamortized prior service cost	**(6,583)**	(6,711)
Unamortized net actuarial gain	**(42,825)**	(52,826)
Net accrued benefit liability	**$(218,958)**	$(218,025)

The weighted-average discount rate used in the calculation of the accumulated postretirement benefit obligation and the net postretirement benefit cost was 7.7% in 2000, 6.9% in 1999 and 1998. The assumed annual composite rate of increase in the per capita cost of company-provided health care benefits begins at 7.2% for 2000, gradually decreases to 5.3% by 2007, and remains at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	*1% Decrease*
Effect on total service and interest cost components	$ 1,537	$ (1,349)
Effect on postretirement benefit obligation	15,860	(13,988)

12. FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements: As of May 3, 2000, the company was party to an interest rate swap with a notional amount of £50 million and a settlement date of April 2001. The swap converts a 6.25% fixed rate exposure, on long-term debt maturing in 2030, to a floating rate exposure. As of April 28, 1999, no such agreements were outstanding.

Foreign Currency Contracts: As of May 3, 2000 and April 28, 1999, the company held currency swap contracts with an aggregate notional amount of approximately $90 million and $110 million, respectively. As of May 3, 2000, these contracts mature in 2002. The company held separate contracts to purchase certain foreign currencies as of May 3, 2000 and April 28, 1999 totaling approximately $490 million and $510 million, respectively, which mature within one year of the respective fiscal year-end. The company also held separate contracts to sell certain foreign currencies as of May 3, 2000 and April 28, 1999 of approximately $105 million and $390 million, respectively. As of May 3, 2000, these contracts mature in 2001 and 2002. Net unrealized gains and losses associated with the company's foreign currency contracts as of May 3, 2000 and April 28, 1999 were not material.

Commodity Contracts: As of May 3, 2000 and April 28, 1999, the notional values and unrealized gains or losses related to commodity contracts held by the company were not material.

Fair Value of Financial Instruments: The company's significant financial instruments include cash and cash equivalents, short- and long-term investments, short- and long-term debt, currency exchange agreements, interest rate swaps and guarantees.

In evaluating the fair value of significant financial instruments, the company generally uses quoted market prices of the same or similar instruments or calculates an estimated fair value on a discounted cash flow basis using the rates available for instruments with the same remaining maturities. As of May 3, 2000 and April 28, 1999, the fair value of financial instruments held by the company approximated the recorded value.

Concentrations of Credit Risk: Counterparties to currency exchange and interest rate derivatives consist of large major international financial institutions. The company continually monitors its positions and the credit ratings of the counterparties involved and, by policy, limits the amount of credit exposure to any one party. While the company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers, generally short payment terms, and their dispersion across geographic areas.

13. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per share in accordance with the provisions of SFAS No. 128.

Fiscal year ended *(Dollars in thousands, except per share amounts)*	***May 3, 2000*** ***(53 Weeks)***	*April 28, 1999* *(52 Weeks)*	*April 29, 1998* *(52 Weeks)*
Net income per share – basic:			
Net income	**$890,553**	$474,341	$801,566
Preferred dividends	**26**	30	37
Net income applicable to common stock	**$890,527**	$474,311	$801,529
Average common shares outstanding – basic	**355,273**	361,204	365,982
Net income per share – basic	**$ 2.51**	$ 1.31	$ 2.19
Net income per share – diluted:			
Net income	**$890,553**	$474,341	$801,566
Average common shares outstanding	**355,273**	361,204	365,982
Effect of dilutive securities:			
Convertible preferred stock	**218**	243	297
Stock options	**4,604**	6,383	6,674
Average common shares outstanding – diluted	**360,095**	367,830	372,953
Net income per share – diluted	**$ 2.47**	$ 1.29	$ 2.15

Stock options outstanding of 11.7 million, 6.0 million and 2.0 million as of May 3, 2000, April 28, 1999 and April 29, 1998, respectively, were not included in the above net income per diluted share calculations because to do so would have been antidilutive for the periods presented.

14. SEGMENT INFORMATION

The company's segments are primarily organized by geographical area. The composition of segments and measure of segment profitability is consistent with that used by the company's management. Descriptions of the company's reportable segments are as follows:

- *North American Grocery & Foodservice* – This segment consists of Heinz U.S.A., Heinz Pet Products, Star-Kist Seafood and Heinz Canada. This segment's operations include products in all of the company's core categories.
- *North American Frozen* – This segment consists of Heinz Frozen Food Company, which markets frozen potatoes, entrées and appetizers.
- *Europe* – This segment includes the company's operations in Europe and sells products in all of the company's core categories.
- *Asia/Pacific* – This segment includes the company's operations in New Zealand, Australia, Japan, China, South Korea, Indonesia, Thailand and India. This segment's operations include products in all of the company's core categories.
- *Other Operating Entities* – This segment includes the company's *Weight Watchers* classroom business through September 29, 1999, the date of divestiture, as well as the company's operations in Africa, Venezuela and other areas which sell products in all of the company's core categories.

The company's management evaluates performance based on several factors; however, the primary measurement focus is operating income excluding unusual costs and gains. The accounting policies used are the same as those described in Note 1, "Significant Accounting Policies." Intersegment sales are accounted for at current market values. Items below the operating income line of the Consolidated Statements of Income are not presented by segment, since they are excluded from the measure of segment profitability reviewed by the company's management.

The following table presents information about the company's reportable segments.

Fiscal year ended	**May 3, 2000**	April 28, 1999	April 29, 1998	**May 3, 2000**	April 28, 1999	April 29, 1998
(Dollars in thousands)	**(53 Weeks)**	(52 Weeks)	(52 Weeks)	**(53 Weeks)**	(52 Weeks)	(52 Weeks)
	Net External Sales			*Intersegment Sales*		
North American Grocery & Foodservice	**$4,124,060**	$4,062,683	$3,935,269	**$ 37,987**	$ 32,144	$ 28,492
North American Frozen	**1,023,915**	1,014,370	1,076,080	**12,782**	21,131	14,467
Europe	**2,583,684**	2,460,698	2,332,594	**2,687**	6,661	3,756
Asia/Pacific	**1,196,049**	1,011,764	1,072,856	**2,853**	13	–
Other Operating Entities	**480,241**	750,095	792,485	**2,526**	6,971	6,298
Non-Operating (a)	**–**	–	–	**(58,835)**	(66,920)	(53,013)
Consolidated Totals	**$9,407,949**	$9,299,610	$9,209,284	**$ –**	$ –	$ –
	Operating Income (Loss)			*Operating Income (Loss) Excluding Special Items (b)*		
North American Grocery & Foodservice	**$ 694,449**	$ 716,979	$ 797,191	**$ 875,268**	$ 834,629	$ 825,981
North American Frozen	**152,018**	80,231	258,199	**181,511**	183,409	170,732
Europe	**364,207**	246,187	386,874	**502,302**	467,159	405,425
Asia/Pacific	**124,125**	89,830	136,501	**177,454**	145,654	142,348
Other Operating Entities	**540,155**	95,715	53,677	**77,004**	121,950	63,586
Non-Operating (a)	**(141,855)**	(119,630)	(112,112)	**(102,337)**	(99,792)	(100,219)
Consolidated Totals	**$1,733,099**	$1,109,312	$1,520,330	**$1,711,202**	$1,653,009	$1,507,853
	Depreciation and Amortization Expense			*Capital Expenditures (c)*		
North American Grocery & Foodservice	**$133,471**	$121,363	$117,739	**$171,295**	$138,081	$121,783
North American Frozen	**36,480**	39,773	41,855	**79,575**	35,293	34,244
Europe	**81,802**	85,408	84,583	**127,595**	100,569	90,829
Asia/Pacific	**28,871**	20,549	30,406	**60,795**	25,209	53,856
Other Operating Entities	**13,066**	23,278	28,291	**8,495**	12,757	40,076
Non-Operating (a)	**12,793**	11,841	10,748	**4,689**	4,814	32,966
Consolidated Totals	**$306,483**	$302,212	$313,622	**$452,444**	$316,723	$373,754
	Identifiable Assets					
North American Grocery & Foodservice	**$3,711,691**	$3,418,096	$3,248,068			
North American Frozen	**882,225**	832,226	918,807			
Europe	**2,781,238**	2,208,208	2,230,857			
Asia/Pacific	**1,085,491**	998,685	839,176			
Other Operating Entities	**187,684**	374,852	564,391			
Non-Operating (d)	**202,328**	221,567	222,122			
Consolidated Totals	**$8,850,657**	$8,053,634	$8,023,421			

(a) *Includes corporate overhead, intercompany eliminations and charges not directly attributable to operating segments.*

(b) ***Fiscal year ended May 3, 2000:*** *Excludes net restructuring and implementation costs of Operation Excel as follows: North American Grocery & Foodservice $160.8 million, North American Frozen $29.5 million, Europe $138.1 million, Asia/Pacific $53.3 million, Other Operating Entities $1.5 million and Non-Operating $9.5 million. Excludes costs related to Ecuador in North American Grocery & Foodservice $20.0 million. Excludes the gain on the sale of the Weight Watchers classroom business in Other Operating Entities $464.6 million. Excludes the Foundation contribution in Non-Operating $30.0 million.*

Fiscal year ended April 28, 1999: *Excludes restructuring and implementation costs of Operation Excel as follows: North American Grocery & Foodservice $110.4 million, North American Frozen $116.9 million, Europe $225.1 million, Asia/Pacific $52.9 million, Other Operating Entities $29.2 million and Non-Operating $18.3 million. Excludes costs related to the implementation of Project Millennia as follows: North American Grocery & Foodservice $7.2 million, North American Frozen $2.9 million, Europe $4.9 million, Asia/Pacific $3.0 million, Other Operating Entities $2.8 million and Non-Operating $1.5 million. Excludes the gain on the sale of the bakery division in Other Operating Entities of $5.7 million. Excludes the reversal of unutilized Project Millennia accruals for severance and exit costs in North American Frozen and Europe of $16.6 million and $9.1 million, respectively.*

Fiscal year ended April 29, 1998: *Excludes costs related to the implementation of Project Millennia as follows: North American Grocery & Foodservice $28.8 million, North American Frozen $9.1 million, Europe $18.6 million, Asia/Pacific $5.8 million, Other Operating Entities $9.9 million and Non-Operating $11.9 million. Excludes the North American Frozen gain on the sale of the Ore-Ida frozen foodservice business of $96.6 million.*

(c) *Excludes property, plant and equipment obtained through acquisitions.*

(d) *Includes identifiable assets not directly attributable to operating segments.*

The company's revenues are generated via the sale of products in the following categories:

(Unaudited) *Fiscal year ended* *(Dollars in thousands)*	**May 3, 2000** **(53 Weeks)**	*April 28, 1999* *(52 Weeks)*	*April 29, 1998* *(52 Weeks)*
Ketchup, condiments and sauces	**$2,439,109**	$2,230,403	$2,046,578
Frozen foods	**1,561,488**	1,399,111	1,473,228
Tuna	**1,059,317**	1,084,847	1,080,576
Soups, beans and pasta meals	**1,197,466**	1,117,328	1,085,438
Infant foods	**1,041,401**	1,039,781	986,203
Pet products	**1,237,671**	1,287,356	1,315,774
Other	**871,497**	1,140,784	1,221,487
Total	**$9,407,949**	$9,299,610	$9,209,284

The company has significant sales and long-lived assets in the following geographic areas. Sales are based on the location in which the sale originated. Long-lived assets include property, plant and equipment, goodwill, trademarks and other intangibles, net of related depreciation and amortization.

	Net External Sales			*Long-Lived Assets*		
Fiscal year ended *(Dollars in thousands)*	**May 3, 2000** **(53 Weeks)**	*April 28, 1999* *(52 Weeks)*	*April 29, 1998* *(52 Weeks)*	**May 3, 2000**	*April 28, 1999*	*April 29, 1998*
United States	**$4,848,125**	$4,917,967	$4,873,710	**$2,705,735**	$2,856,315	$2,885,359
United Kingdom	**1,314,550**	1,182,690	1,170,935	**549,213**	399,669	491,850
Other	**3,245,274**	3,198,953	3,164,639	**1,515,535**	1,385,404	1,393,505
Total	**$9,407,949**	$9,299,610	$9,209,284	**$4,770,483**	$4,641,388	$4,770,714

15. QUARTERLY RESULTS (UNAUDITED)

			2000		
(Dollars in thousands, except per share amounts)	***First (13 Weeks)***	***Second (13 Weeks)***	***Third (13 Weeks)***	***Fourth (14 Weeks)***	***Total (53 Weeks)***
Sales	**$2,181,007**	**$2,344,084**	**$2,294,637**	**$2,588,221**	**$9,407,949**
Gross profit	**856,750**	**912,440**	**902,750**	**947,484**	**3,619,424**
Net income	**206,668**	**415,498**	**171,112**	**97,275**	**890,553**
Per Share Amounts:					
Net income – diluted	**$ 0.57**	**$ 1.14**	**$ 0.47**	**$ 0.27**	**$ 2.47**
Net income – basic	**0.58**	**1.16**	**0.48**	**0.27**	**2.51**
Cash dividends	**0.34¼**	**0.36¾**	**0.36¾**	**0.36¾**	**1.44½**

			1999		
(Dollars in thousands, except per share amounts)	*First (13 Weeks)*	*Second (13 Weeks)*	*Third (13 Weeks)*	*Fourth (13 Weeks)*	*Total (52 Weeks)*
Sales	$2,228,230	$2,322,402	$2,282,062	$2,466,916	$9,299,610
Gross profit	868,453	936,399	852,580	697,311	3,354,743
Net income (loss)	213,787	231,332	120,554	(91,332)	474,341
Per Share Amounts:					
Net income (loss) – diluted	$ 0.58	$ 0.63	$ 0.33	$ (0.25)	$ 1.29
Net income (loss) – basic	0.59	0.64	0.33	(0.25)	1.31
Cash dividends	0.31½	0.34¼	0.34¼	0.34¼	1.34¼

The first quarter of Fiscal 2000 includes restructuring and implementation costs related to Operation Excel of $0.07 per share, costs related to Ecuador of $0.05 per share and the gain on the sale of an office building in the U.K. of $0.03 per share. The first quarter of Fiscal 1999 includes implementation costs related to Project Millennia of $0.02 per share.

The second quarter of Fiscal 2000 includes restructuring and implementation costs related to Operation Excel of $0.17 per share, the gain on the sale of the *Weight Watchers* classroom business of $0.72 per share (see Note 3 to the Consolidated Financial Statements) and a pretax contribution to the H.J. Heinz Company Foundation of $0.05 per share. The second quarter of Fiscal 1999 includes implementation costs related to Project Millennia of $0.01 per share, reversal of unutilized Project Millennia accruals for severance and exit costs of $0.04 per share (see Note 4 to the Consolidated Financial Statements) and the gain on the sale of the bakery products unit (see Note 3 to the Consolidated Financial Statements).

The third quarter includes restructuring and implementation costs related to Operation Excel of $0.15 per share in Fiscal 2000 and $0.27 in Fiscal 1999.

The fourth quarter of Fiscal 2000 includes restructuring and implementation costs related to Operation Excel of $0.40 per share and a reversal of Fiscal 1999 Operation Excel accruals and asset write-downs of $0.04 per share, for net restructuring and implementation costs of $0.36 per share. The fourth quarter of Fiscal 1999 includes restructuring and implementation costs related to Operation Excel of $0.84 per share.

16. COMMITMENTS AND CONTINGENCIES

Legal Matters: Certain suits and claims have been filed against the company and have not been finally adjudicated. These suits and claims when finally concluded and determined, in the opinion of management, based upon the information that it presently possesses, will not have a material adverse effect on the company's consolidated financial position, results of operations or liquidity.

Lease Commitments: Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately $111.1 million in 2000, $99.5 million in 1999 and $98.3 million in 1998. Future lease payments for non-cancellable operating leases as of May 3, 2000 totaled $182.4 million (2001–$38.5 million, 2002–$29.5 million, 2003–$22.0 million, 2004–$19.7 million, 2005–$15.4 million and thereafter–$57.3 million).

17. ADVERTISING COSTS

Advertising costs for fiscal years 2000, 1999 and 1998 were $374.0 million, $373.9 million and $363.1 million, respectively.

RESPONSIBILITY STATEMENTS

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of H.J. Heinz Company is responsible for the preparation of the financial statements and other information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles, incorporating management's best estimates and judgments, where applicable.

Management believes that the company's internal control systems provide reasonable assurance that assets are safe-guarded, transactions are recorded and reported appropriately, and policies are followed. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the expected benefits. Management believes that its systems provide this appropriate balance. An important element of the company's control systems is the ongoing program to promote control consciousness throughout the organization. Management's commitment to this program is emphasized through written policies and procedures (including a code of conduct), an effective internal audit function and a qualified financial staff.

The company engages independent public accountants who are responsible for performing an independent audit of the financial statements. Their report, which appears herein, is based on obtaining an understanding of the company's accounting systems and procedures and testing them as they deem necessary.

The company's Audit Committee is composed entirely of outside directors. The Audit Committee meets regularly, and when appropriate separately, with the independent public accountants, the internal auditors and financial management to review the work of each and to satisfy itself that each is discharging its responsibilities properly. Both the independent public accountants and the internal auditors have unrestricted access to the Audit Committee.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of
H.J. Heinz Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of H.J. Heinz Company and its subsidiaries (the "Company") at May 3, 2000 and April 28, 1999, and the results of its operations and its cash flows for each of the three years in the period ended May 3, 2000, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
June 14, 2000

ELEVEN-YEAR SUMMARY OF OPERATIONS AND OTHER RELATED DATA

H.J. Heinz Company and Subsidiaries

(Dollars in thousands, except per share amounts)	***2000****	*1999*	*1998*	*1997*
SUMMARY OF OPERATIONS:				
Sales	**$9,407,949**	$9,299,610	$9,209,284	$9,357,007
Cost of products sold	**5,788,525**	5,944,867	5,711,213	6,385,091
Interest expense	**269,748**	258,813	258,616	274,746
Provision for income taxes	**573,123**	360,790	453,415	177,193
Income before cumulative effect of accounting change	**890,553**	474,341	801,566	301,871
Cumulative effect of SFAS No. 106 adoption	**–**	–	–	–
Net income	**890,553**	474,341	801,566	301,871
Income per share before cumulative effect of accounting change – diluted	**2.47**	1.29	2.15	0.81
Cumulative effect of SFAS No. 106 adoption	**–**	–	–	–
Net income per share – diluted	**2.47**	1.29	2.15	0.81
Net income per share – basic	**2.51**	1.31	2.19	0.82
OTHER RELATED DATA:				
Dividends paid:				
Common	**513,756**	484,817	452,566	416,923
per share	**1.44½**	1.34¼	1.23½	1.13½
Preferred	**26**	30	37	43
Average common shares outstanding – diluted	**360,095,455**	367,830,419	372,952,851	374,043,705
Average common shares outstanding – basic	**355,272,696**	361,203,539	365,982,290	367,470,850
Number of employees	**46,900**	38,600	40,500	44,700
Capital expenditures	**452,444**	316,723	373,754	377,457
Depreciation and amortization expense	**306,483**	302,212	313,622	340,490
Total assets	**8,850,657**	8,053,634	8,023,421	8,437,787
Total debt	**4,112,401**	3,376,413	3,107,903	3,447,435
Shareholders' equity	**1,595,856**	1,803,004	2,216,516	2,440,421
Pretax return on average invested capital	**31.4%**	20.4%	26.4%	11.9%
Return on average shareholders' equity before cumulative effect of accounting change	**52.4%**	23.6%	34.4%	11.7%
Book value per common share	**4.59**	5.02	6.10	6.64
Price range of common stock:				
High	**54**	61¾	59 15/16	44⅞
Low	**30 13/16**	44 9/16	41⅛	29¾

The 2000 results include, on a pretax basis, net restructuring and implementation costs of $392.7 million for Operation Excel, a contribution of $30.0 million to the H.J. Heinz Company Foundation, costs related to Ecuador of $20.0 million, a gain of $464.6 million on the sale of the Weight Watchers classroom business and a gain of $18.2 million on the sale of an office building in the U.K.

The 1999 results include, on a pretax basis, restructuring and implementation costs of $552.8 million for Operation Excel and costs of $22.3 million related to the implementation of Project Millennia, offset by the reversal of unutilized Project Millennia accruals for severance and exit costs of $25.7 million and a gain of $5.7 million on the sale of the bakery products unit.

The 1998 results include costs of $84.1 million pretax related to the implementation of Project Millennia, offset by the gain on the sale of the Ore-Ida frozen foodservice business, $96.6 million pretax.

The 1997 results include a pretax charge for Project Millennia restructuring and implementation costs of $647.2 million, offset by capital gains of $85.3 million from the sale of non-strategic assets in New Zealand and the U.K. The 1994 results include a pretax gain of $127.0 million relating to the divestiture of the confectionery and specialty rice businesses. The 1993 results include a pretax restructuring charge of $192.3 million. The 1992 results include a pretax gain of $221.5 million for the sale of The Hubinger Company, a pretax restructuring charge of $88.3 million and a pretax pension curtailment gain of $38.8 million.

** Fiscal year consisted of 53 weeks.*

1996	1995*	1994	1993	1992	1991	1990
$9,112,265	$8,086,794	$7,046,738	$7,103,374	$6,581,867	$6,647,118	$6,085,687
5,775,357	5,119,597	4,381,745	4,530,563	4,102,816	4,063,423	3,726,613
277,411	210,585	149,243	146,491	134,948	137,592	108,542
364,342	346,982	319,442	185,838	346,050	335,014	306,979
659,319	591,025	602,944	529,943	638,295	567,999	504,451
–	–	–	(133,630)	–	–	–
659,319	591,025	602,944	396,313	638,295	567,999	504,451
1.75	1.58	1.56	1.36	1.59	1.42	1.26
–	–	–	(0.34)	–	–	–
1.75	1.58	1.56	1.02	1.59	1.42	1.26
1.79	1.61	1.59	1.04	1.65	1.48	1.32
381,871	345,358	325,887	297,009	270,512	239,212	207,387
1.03½	0.94	0.86	0.78	0.70	0.62	0.54
56	64	71	78	86	91	113
377,606,606	373,317,480	385,778,757	390,374,298	400,267,734	400,696,424	399,980,757
368,799,645	367,685,810	378,483,701	380,728,905	386,331,811	384,983,564	383,507,801
43,300	42,200	35,700	37,700	35,500	34,100	37,300
334,787	341,788	275,052	430,713	331,143	345,334	355,317
343,809	315,267	259,809	234,935	211,786	196,138	168,523
8,623,691	8,247,188	6,381,146	6,821,321	5,931,901	4,935,382	4,487,451
3,363,828	3,401,076	2,166,703	2,613,736	1,902,483	1,226,694	1,256,607
2,706,757	2,472,869	2,338,551	2,320,996	2,367,398	2,274,863	1,886,899
21.0%	21.4%	21.9%	18.1%	27.6%	30.3%	30.4%
25.5%	24.6%	25.9%	22.0%	27.5%	27.3%	27.5%
7.34	6.76	6.26	6.08	6.21	5.84	4.96
36⅝	28⅝	26⅝	30⅜	32⅜	27⅜	23⅞
27⅝	21⅛	20½	23½	23⅜	19⅝	16⅜

DIRECTORS AND OFFICERS*

H.J. Heinz Company

DIRECTORS

Anthony J. F. O'Reilly
Chairman of the Board.
Director since 1971. (6)

William R. Johnson
President and
Chief Executive Officer.
Director since 1993. (1,5)

Nicholas F. Brady
Chairman and President, Darby Advisors, Inc. and Chairman, Darby Overseas Investments, Ltd., Easton, Maryland.
Director from 1987 through September 1988.
Reelected 1993. (3,4)

Mary C. Choksi
Managing Director, Strategic Investment Partners, Inc. and Emerging Markets Investors Corporation, Washington, D.C.
Director since 1998. (4,6)

Leonard S. Coleman, Jr.
Senior Advisor–Major League Baseball, New York, New York.
Director since 1998. (4,6)

Edith E. Holiday
Attorney and Director, Various Corporations.
Director since 1994. (3,4,6)

Samuel C. Johnson
Nonexecutive Chairman, S.C. Johnson & Son, Inc., Racine, Wisconsin.
Director since 1988. (2,4)

Candace Kendle
Chairman and Chief Executive Officer, Kendle International Inc., Cincinnati, Ohio.
Director since 1998. (2,3)

Donald R. Keough
Chairman of the Board, Allen & Co. Incorporated, New York, New York.
Director since 1990. (2,3)

Dean R. O'Hare
Chairman and Chief Executive Officer, The Chubb Corporation, Warren, New Jersey.
Director since July 2000.

Paul F. Renne
Executive Vice President and Chief Financial Officer.
Director since 1997. (1,5)

A.G. Malcolm Ritchie
Executive Vice President.
Director since 1998. (1)

Herman J. Schmidt
Independent Businessman.
Director since 1977. (2,3,4,6)

Eleanor B. Sheldon
Social Scientist.
Director since 1979. (2,4,6)

William P. Snyder III
President, The Wilpen Group, Inc., Pittsburgh, Pennsylvania.
Director since 1961. (2,3,4)

S. Donald Wiley
Vice Chairman, H.J. Heinz Company Foundation.
Director from 1972 through September 1990.
Reelected 1991. (6)

David R. Williams
Executive Vice President.
Director since 1992. (1,5)

James M. Zimmerman
Chairman and Chief Executive Officer, Federated Department Stores, Inc., Cincinnati, Ohio.
Director since 1998. (2,3)

COMMITTEES OF THE BOARD

(1) Executive Committee
(2) Management Development and Compensation Committee
(3) Nominating Committee
(4) Audit Committee
(5) Investment Committee
(6) Public Issues Committee

OFFICERS

William R. Johnson
President and Chief Executive Officer

Paul F. Renne
Executive Vice President and Chief Financial Officer

A.G. Malcolm Ritchie
Executive Vice President

Richard H. Wamhoff
Executive Vice President

David R. Williams
Executive Vice President

Michael J. Bertasso
Senior Vice President–Strategy, Process and Business Development

William C. Goode III
Senior Vice President and Chief Administrative Officer

Michael D. Milone
Senior Vice President–Global Category Development

D. Edward I. Smyth
Senior Vice President–Corporate and Government Affairs

Laura Stein
Senior Vice President and General Counsel

R. Scott Allen
Vice President and Chief Procurement Officer

Theodore N. Bobby
Vice President–Legal Affairs

John C. Crowe
Vice President–Taxes

Steven C. Morelli
Vice President and Chief Information Officer

Diane Owen
Vice President–Corporate Audit

Lelio G. Parducci
Vice President–Nutrition & Technical Affairs and Chief Scientist

Mitchell A. Ring
Vice President–Business Development

John Runkel
Vice President–Investor Relations

William R. Showalter
Vice President and Corporate Controller

Karyll A. Davis
Corporate Secretary

F. Nicholas Grasberger III
Treasurer

* *As of July 2000.*

WORLD LOCATIONS*

H.J. Heinz Company and Subsidiaries

WORLD HEADQUARTERS

600 Grant Street, Pittsburgh, Pennsylvania.

THE AMERICAS

HEINZ NORTH AMERICA

Heinz U.S.A. Established 1869. Pittsburgh, Pennsylvania.

- Thermo Pac, Inc. Acquired 1999. Stone Mountain, Georgia.
- Portion Pac, Inc. Acquired 1989. Mason, Ohio.
- Quality Chef Foods, Inc. Acquired 1999. Cedar Rapids, Iowa.
- Chef Francisco, Inc. Acquired 1991. King of Prussia, Pennsylvania.
- Escalon Premier Brands, Inc. Acquired 1989. Escalon, California.

Star-Kist Foods, Inc. Acquired 1963. Pittsburgh, Pennsylvania.

- Heinz Pet Products. Established 1988. Pittsburgh, Pennsylvania.
- StarKist Seafood. Established 1988. Pittsburgh, Pennsylvania.
- Star-Kist Caribe, Inc. Acquired 1963. Mayaguez, Puerto Rico.
- Star-Kist Samoa, Inc. Acquired 1963. Pago Pago, American Samoa.
- Empresa Pesquera Ecuatoriana. Acquired 1991. Guayaquil, Ecuador.

H.J. Heinz Company of Canada Ltd. Established 1909. North York, Ontario, Canada.

- Omstead Foods Limited. Acquired 1991. Wheatley, Ontario, Canada.
- Martin Pet Foods. Acquired 1996. Elmira, Ontario, Canada.

Heinz Frozen Food Company. Established 1998. Pittsburgh, Pennsylvania.

Alimentos Heinz C.A. Established 1959. Caracas, Venezuela.

EUROPE, MIDDLE EAST AND AFRICA

H.J. Heinz European Grocery. Established 1995. Stockley Park, Middlesex, England.

- H.J. Heinz Company Limited. Established 1917. Stockley Park, Middlesex, England.
- H.J. Heinz B.V. Acquired 1958. Elst, Gelderland, The Netherlands.
- H.J. Heinz Branch Belgium. Established 1984. Brussels, Belgium.
- H.J. Heinz GmbH. Established 1970. Cologne, Germany.
- Sonnen Bassermann. Acquired 1998. Seesen, Germany.
- Heinz Iberica, S.A. Established 1987. Madrid, Spain.
- IDAL (Industrias de Alimentação, Lda). Acquired 1965. Lisbon, Portugal.
- COPAIS Food and Beverage S.A. Acquired 1990. Athens, Greece.
- Heinz Polska Sp. Z.O.O. Established 1994. Warsaw, Poland.
- Cairo Food Industries SAE. Established 1992. Cairo, Egypt.

H.J. Heinz European Infant Feeding. Established 1999. Stockley Park, Middlesex, England.

- Heinz Italia S.r.l. (formerly Plasmon Dietetici Alimentari S.r.l.). Acquired 1963. Milan, Italy.
- H.J. Heinz Company Limited. Established 1917. Stockley Park, Middlesex, England.
- Farley's Healthcare Products. Established 1994. Kendal, Cumbria, England.
- H.J. Heinz Company C.I.S. Established 1994. Moscow, Russia.
- Heinz Remedia Limited. Established 1999. Tel Aviv, Israel.

H.J. Heinz European Foodservice. Established 1997. Stockley Park, Middlesex, England.

- Heinz Single Serve Limited. Acquired 1995. Telford, England.
- Serv-A-Portion. Acquired 1999. Turnhout, Belgium.
- AIAL (Arimpex Industrie Alimentari S.r.l.). Acquired 1992. Rovereto, Italy.
- Dega S.r.l. Acquired 1994. Rovereto, Italy.

* As of May 3, 2000.

H.J. Heinz Frozen and Chilled Foods Limited. Acquired 1999. Dublin, Ireland.

- ☐ H.J. Heinz European Frozen and Chilled Foods Limited. Established 1993. Dundalk, Ireland.
- ☐ H.J. Heinz European Frozen and Chilled Foods Limited. Incorporated 1966. Dublin, Ireland.

H.J. Heinz European Seafood. Established 1997. Paris, France.

- ☐ H.J. Heinz Company Limited. Established 1917. Stockley Park, Middlesex, England.
- ☐ John West Foods Limited. Acquired 1997. Liverpool, England.
- ☐ Pioneer Food Cannery Ltd. Acquired 1995. Tema, Ghana.
- ☐ H.J. Heinz S.A.R.L. Established 1979. Paris, France.
- ☐ Indian Ocean Tuna, Ltd. Acquired 1995. Victoria, Republic of Seychelles.
- ☐ Ets. Paul Paulet S.A. Acquired 1981. Douarnenez, France.
- ☐ IDAL (Industrias de Alimentação, Lda.) Fish Division. Acquired 1988. Peniche, Portugal.
- ☐ Mareblu S.r.l. Acquired 1996. Latina, Italy.

H.J. Heinz Central Eastern Europe. Established 1994.

- ☐ H.J. Heinz Company C.I.S. Established 1994. Moscow, Russia.
- ☐ Heinz Polska Sp. Z.O.O. Established 1994. Warsaw, Poland.
- ☐ Pudliszki S.A. Acquired 1997. Pudliszki, Poland.

H.J. Heinz Southern Africa (Proprietary) Limited. Established 1995. Johannesburg, South Africa.

- ☐ H.J. Heinz (Botswana) (Proprietary) Ltd. Formed 1988. Gaborone, Botswana.
- ☐ Kgalagadi Soap Industries (Pty) Ltd. Acquired 1988. Gaborone, Botswana.
- ☐ Refined Oil Products (Pty) Ltd. Formed 1987. Gaborone, Botswana.
- ☐ Olivine Industries (Private) Limited. Acquired 1982. Harare, Zimbabwe.
- ☐ Chegutu Canners (Pvt) Ltd. Established 1992. Chegutu, Zimbabwe.
- ☐ Heinz South Africa (Pty) Ltd. Established 1995. Johannesburg, South Africa.
- ☐ Pets Products (Pty) Limited. Acquired 1997. Cape Town, South Africa.
- ☐ Heinz Frozen Foods (Pty) Ltd. Established 1995. Klerksdorp, South Africa.
- ☐ Heinz Wellington's (Pty) Ltd. Acquired 1997. Wellington, South Africa.

PACIFIC RIM AND SOUTHWEST ASIA

Heinz Wattie's Australasia. Established 1998.

- ☐ H.J. Heinz Company Australia Ltd. Established 1935. Doveton, Victoria, Australia.
- ☐ Heinz-Wattie's Limited. Acquired 1992. Auckland, New Zealand.
- ☐ Tegel Foods Ltd. Acquired 1992. Newmarket, Auckland, New Zealand.

Heinz Japan Ltd. Established 1961. Tokyo, Japan.
Heinz-UFE Ltd. Established 1984. Guangzhou, People's Republic of China.
Heinz Cosco. Established 1999. Qingdao, People's Republic of China.
Seoul-Heinz Ltd. Established 1986. Inchon, South Korea.
Heinz Win Chance Ltd. Established 1987. Bangkok, Thailand.
Heinz India (Private) Limited. Acquired 1994. Mumbai, India.
PT Heinz ABC Indonesia. Established 1999. Jakarta, Indonesia.
PT Heinz Suprama. Acquired 1997. Surabaya, Indonesia.
Heinz UFC Philippines. Established 2000. Manila, The Philippines.
Heinz Hong Kong Limited. Established 2000. Wanchai, Hong Kong.

CORPORATE DATA

Heinz: A Definition H.J. Heinz Company is one of the world's leading marketers of branded foods to retail and foodservice channels. Heinz has number-one or number-two branded businesses in more than 50 world markets.

Among the company's famous brands are *Heinz* (a global mega-brand approaching $3 billion in annual sales), *Ore-Ida, Smart Ones, Weight Watchers, Boston Market, Bagel Bites, The Budget Gourmet, Wattie's, Linda McCartney, San Marco, Go Ahead!, 9-Lives, Skippy, Kibbles 'n Bits, Pounce, Wagwells, Nature's Recipe, Farley's, Plasmon, BioDieterba, StarKist, John West, Petit Navire, Greenseas, UFC, Orlando, ABC, Olivine* and *Pudliszki*.

Heinz provides employment for approximately 46,900 people full-time, plus thousands of others on a part-time basis and during seasonal peaks.

Annual Meeting The annual meeting of the company's shareholders will be held at 2:00 p.m. on Tuesday, September 12, 2000 in Pittsburgh at Heinz Hall for the Performing Arts.

Copies of This Publication and Others Mentioned on This Page are available from the Corporate Affairs Department at the Heinz World Headquarters address or by calling (412) 456-6000.

Form 10-K The company submits an annual report to the Securities and Exchange Commission on Form 10-K.

Copies of this Form 10-K are available from the Corporate Affairs Department.

Investor Information Securities analysts and investors seeking additional information about the company should contact Jack Runkel, Vice President–Investor Relations, at (412) 456-6034.

Equal Employment Opportunity H.J. Heinz Company hires, trains, promotes, compensates and makes all other employment decisions without regard to race, color, sex, age, religion, national origin, disability or other protected conditions or characteristics. It has affirmative action programs in place at all domestic locations to ensure equal opportunity for every employee.

Copies of the H.J. Heinz Company Equal Opportunity Review are available from the Corporate Affairs Department.

Environmental Policy H.J. Heinz Company is committed to protecting the environment. Each affiliate has established programs to review its environmental impact, to safeguard the environment and to train employees.

Copies of the H.J. Heinz Company Environmental Report are available from the Corporate Affairs Department.

Corporate Data *Transfer Agent, Registrar and Disbursing Agent (for inquiries and changes in shareholder accounts or to arrange for the direct deposit of dividends):*
ChaseMellon Shareholder Services, L.L.C.,
85 Challenger Road, Overpeck Centre,
Ridgefield Park, New Jersey 07660.
(800) 253-3399 (within U.S.A.) or (201) 329-8660
or http://www.chasemellon.com.
Auditors: PricewaterhouseCoopers LLP,
600 Grant Street, Pittsburgh, Pennsylvania 15219
Stock Listings: New York Stock Exchange, Inc.
Ticker Symbols: Common–HNZ; Third Cumulative Preferred–HNZ PR
Pacific Exchange, Inc.
Ticker Symbol: Common–HNZ

TDD Services ChaseMellon Shareholder Services can be accessed through telecommunications devices for the hearing impaired by dialing (800) 231-5469 (within U.S.A.) or (201) 329-8354.

Heinz on the Internet Financial results, news and information about Heinz and its affiliates can be found on Heinz's home page at http://www.heinz.com.

Company News On-Call Heinz news releases, including earnings announcements, are available by fax 24 hours a day through Company News On-Call at (800) 758-5804. The Heinz extension is 575757.

Heinz

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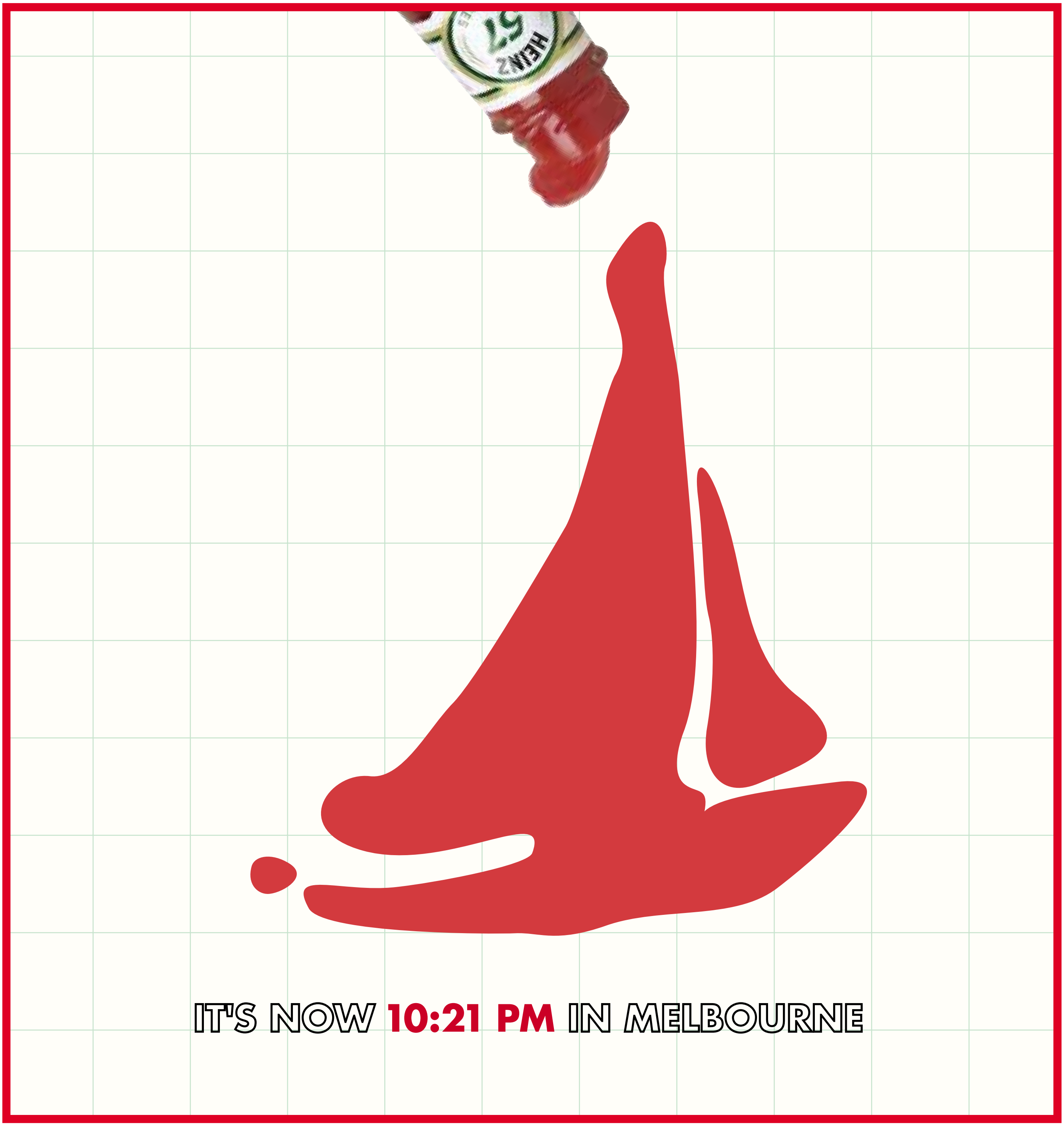

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H.J. HEINZ COMPANY ANNUAL REPORT 2000

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